



Dave Yost • Auditor of State

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Southeast Local School District
Portage County
8245 Tallmadge Road
Ravenna, Ohio 44266

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Southeast Local School District, Portage County, (the District), as of and for the year ended June 30, 2011, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the major funds, and the aggregate remaining fund information of Southeast Local School District, Portage County, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 14, 2011

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (Unaudited)

The discussion and analysis of Southeast Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- Net assets increased \$5,958,853 which represents an 18.3% increase from 2010.
- General revenues accounted for \$23,594,333 in revenue or 88.9% of all revenues. Program specific revenues in the form of charges for services, grants, contributions and interest accounted for \$2,942,024 or 11.1% of total revenues of \$26,536,357.
- The District had \$20,577,504 in expenses related to governmental activities; \$2,942,024 of these expenses was offset by program specific charges for services, grants, contributions or interest.
- Among major funds, the general fund had \$17,236,196 in revenues and \$16,302,768 in expenditures. The general fund's fund balance increased \$933,428 to \$5,861,311.
- The District issued a refunding bond in the amount \$5,114,999 for the 2001 Classroom Facilities Improvement bond.
- The District has been granted a Corrective Action Grant in the amount \$5,366,950 from the Ohio School Facilities Commission (OSFC).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the District's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (Unaudited)

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

Proprietary Funds – The District uses an internal service fund to report activities that provide services for the District's other programs and activities. Proprietary funds are reported in the same manner that all activities are reported in the statement of net assets and the statement of activities.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

(Unaudited)

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs listed as agency. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2011 compared to 2010.

	Government Activities	
	2011	2010
Current and other assets	\$ 25,293,613	\$ 17,559,257
Capital assets, net	28,552,958	29,844,124
Total assets	53,846,571	47,403,381
Other liabilities	8,417,198	7,871,423
Long-term liabilities	6,832,451	6,893,889
Total liabilities	15,249,649	14,765,312
Invested in capital assets, net of related debt	23,419,527	24,572,960
Restricted	7,643,313	1,823,693
Unrestricted	7,534,082	6,241,416
Total liabilities	<u>\$ 38,596,922</u>	<u>\$ 32,638,069</u>

Total current and other assets showed a net increase of \$7,734,356 with a substantial increase in pooled cash and cash equivalents of \$2,047,218, and an increase in intergovernmental receivable of \$5,366,950 for the Ohio School Facilities Commission Corrective Action Grant. This increase was a result of the District receiving American Recovery and Reinvestment Act grants that were continued fiscal 2011.

This increase in cash was due to an increase in intergovernmental receivables for the Education Jobs grant. The decrease of \$1,291,166 in capital assets was attributed to the depreciation expense exceeding the additions for the current year. The total liabilities increased \$484,337, which was primarily the result of an increase in deferred revenue related to intergovernmental receivable.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

Changes in Net Assets - The following table shows the changes in net assets for the fiscal year 2011 compared to 2010.

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 942,019	\$ 648,361
Operating Grants, Contributions and Interest	2,000,005	1,646,982
General Revenues:		
Property Taxes	5,677,926	6,870,744
Grants and Entitlements	17,821,256	12,713,410
Miscellaneous and Investment Earnings	95,151	66,661
Total Revenues	<u>26,536,357</u>	<u>21,946,158</u>
Program Expenses:		
Instruction	11,860,544	11,793,253
Support Services:		
Pupils	1,761,766	1,470,411
Instructional Staff	294,693	546,380
Board of Education	31,683	32,832
Administration	1,449,573	1,345,904
Fiscal Services	456,709	415,611
Business	121,720	112,343
Operation and Maintenance of Plant	1,604,622	1,345,798
Pupil Transportation	1,473,276	1,441,855
Central	88,687	96,567
Operation of Food Service	642,234	653,601
Extracurricular Activities	530,367	516,559
Interest and Fiscal Charges	261,630	317,331
Total Expenses	<u>20,577,504</u>	<u>20,088,445</u>
Change in Net Assets	5,958,853	1,857,713
Beginning Net Assets	<u>32,638,069</u>	<u>30,780,356</u>
Ending Net Assets	<u>\$ 38,596,922</u>	<u>\$ 32,638,069</u>

Overall revenue increased \$4,590,199 due to the Ohio School Facilities Commission Corrective Action Grant over fiscal year 2010, reported within grants and entitlements in fiscal year 2011. Program expenses increased from \$20.1 million in 2010 to \$20.6 million in 2011. The increase in total program expenses reflects increases in support services for pupils and operations.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

(Unaudited)

Governmental Activities

The net assets of the District's governmental activities increased by \$5,958,853, primarily from the recognition of the \$5.3 million OSFC Grant.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 21.4% of revenues for governmental activities for Southeast Local Schools in fiscal year 2011. These revenues decreased \$1,192,818 from 2010, primarily due to a decrease in property tax available as an advance as of June 30, 2011 (See Note 4).

Revenue Sources	2011	Percentage of Total
General Grants	\$ 17,821,256	67.16%
Program Revenues	2,942,024	11.09%
General Tax Revenues	5,677,926	21.40%
Miscellaneous and Investment Earnings	95,151	0.36%
Total Revenue	\$ 26,536,357	100.00%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$8,820,822, which is above last year's total of \$7,496,293. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)
General	\$ 6,794,739	\$ 5,861,311	\$ 933,428
Bond Retirement	293,521	367,154	(73,633)
Classroom Facilities	387,137	15,895	371,242
Other Governmental	1,345,425	1,251,933	93,492
Total	\$ 8,820,822	\$ 7,496,293	\$ 1,324,529

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011*

(Unaudited)

General Fund –The table that follows assists in illustrating the financial activities and balance of the General Fund:

	2011 <u>Revenues</u>	2010 <u>Revenues*</u>	Increase <u>(Decrease)</u>
Taxes	\$ 5,107,294	\$ 6,340,693	\$ (1,233,399)
Tuition and Fees	349,265	44,723	304,542
Investment Earnings	22,562	17,694	4,868
Intergovernmental	11,633,337	12,047,870	(414,533)
Other Revenue Types	123,738	11,734	112,004
Total	<u>\$ 17,236,196</u>	<u>\$ 18,462,714</u>	<u>\$ (1,226,518)</u>

General Fund revenues in 2011 decreased approximately 6.6% compared to revenues in fiscal year 2010. The primary contributing factor was due to a decrease in property taxes available as an advance as of June 30, 2011 and intergovernmental revenues.

	2011 <u>Expenditures</u>	2010 <u>Expenditures*</u>	Increase <u>(Decrease)</u>
Instruction	\$ 9,039,843	\$ 9,178,620	\$ (138,777)
Supporting Services:			
Pupils	1,600,102	1,234,386	365,716
Instructional Staff	277,625	415,510	(137,885)
Board of Education	31,683	32,832	(1,149)
Administration	1,396,462	1,317,992	78,470
Fiscal Services	452,548	409,138	43,410
Business	105,765	97,234	8,531
Operations and Maintenance of Plant	1,369,516	1,306,904	62,612
Pupil Transportation	1,546,474	1,521,054	25,420
Central	81,327	89,207	(7,880)
Food Service Operations	0	5	(5)
Extracurricular Activities	385,163	381,773	3,390
Debt Service:			
Principal Retirement	15,035	14,361	674
Interest and Fiscal Charges	1,225	1,899	(674)
Total	<u>\$ 16,302,768</u>	<u>\$ 16,000,915</u>	<u>\$ 301,853</u>

*Excludes the activities of funds reported in the general fund with the implementation of GASB 54 (See Note 1T). Amounts are insignificant and would not impact the analysis of the general fund.

The District's general fund expenditures increased \$301,853, or 1.9%. The primary factors contributing to this increase was due to pupils and operational costs.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

(Unaudited)

General Fund Budgeting Highlights

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

For the general fund, the actual revenue was \$17,845,316 representing a \$46,602 increase from the final budget estimates of \$17,798,714. Most of this difference was in the area of intergovernmental revenue. The School District's general unencumbered fund balance at end of year was \$8,264,357.

The District revises its appropriations throughout the fiscal year. During fiscal year 2011, no significant fluctuations between actual and final budget were noted. Final expenditures plus outstanding encumbrances were under the final appropriated amounts by \$882,065. There were no individually significant events that caused this variance. The District has adopted a fund level of budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011 the District had \$28,552,958 net of accumulated depreciation invested in land, land improvements, buildings, equipment and vehicles. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities	
	2011	2010
Land	\$ 400,918	\$ 400,918
Land Improvements	803,841	888,821
Building and Improvements	26,424,077	27,742,948
Machinery and Equipment	300,945	269,601
Vehicles	623,177	541,836
Total	<u>\$ 28,552,958</u>	<u>\$ 29,844,124</u>

The primary cause for this decrease in capital assets is due to depreciation on the assets. Additional information on the District's capital assets can be found in Note 6.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011

(Unaudited)

Debt

At June 30, 2011, the District had \$5,225,780 in bonds outstanding, \$320,000 of which is due within one year. The following table summarizes the District's debt outstanding as of June 30th.

	<u>2011</u>	<u>2010</u>
2001 Classroom Facilities Bond	\$ 0	\$ 5,392,190
2011 Refunding Bond	5,225,780	0
Total	<u>\$ 5,225,780</u>	<u>\$ 5,392,190</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2011, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 9.

Current Financial Related Issues

In May of 2010 the District was fortunate to pass a renewal of the original 8.9 mill four year emergency levy approved in May of 2006. This levy is certified to raise \$1,866,247 each year for a period of four years. Our district is facing declining property tax values as are many districts throughout Ohio. The 2010 tax year valuation is \$223,527,660, with 96.5% of that value coming from residential/agricultural/other.

The District relies on the State for approximately 65% of its general operating revenues. On June 30, 2011, the State Fiscal Stabilization Funds (SFSF) that the District received as part of the federal stimulus funding expired. In fiscal year 2011, the District received 7.9% of its state foundation funding through the SFSF which equates to approximately \$861,000. The new state budget bill (HB153) which passed on July 12, 2011, is using a "Bridge" formula for fiscal year 2012 and is allowing for a "new" funding policy for fiscal year 2013. It is not known at this point in time how a new funding formula will affect the revenues we receive from the state. What is known, however, is that the District will receive less funding.

The Board of Education and administration will continue to closely monitor its revenues and expenditures in accordance with its financial forecast. The budgeting and internal controls utilized by the District are well regarded, and we will continue to work diligently to maximize our resources and stay within the parameters of our budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Mrs. Cassie J. Bergman, Treasurer of Southeast Local School District, 8245 Tallmadge Rd., Ravenna, Ohio 44266.

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SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 12,635,988
Receivables:	
Accounts	2,815
Taxes	6,806,241
Intergovernmental	5,737,789
Deferred Charges	110,780
Nondepreciable Capital Assets	400,918
Depreciable Capital Assets, Net	28,152,040
Total Assets	<u>53,846,571</u>
Liabilities:	
Accounts Payable	61,439
Accrued Wages and Benefits	1,796,925
Intergovernmental Payable	541,513
Accrued Interest Payable	11,796
Claims Payable	233,307
Deferred Revenue	5,694,086
Accrued Vacations Payable	78,132
Long -Term Liabilities:	
Due Within One Year	417,418
Due In More Than One Year	6,415,033
Total Liabilities	<u>15,249,649</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	23,419,527
Restricted for:	
Capital Projects	5,530,955
Debt Service	326,274
Other Purposes	1,755,068
Set Asides	31,016
Unrestricted	7,534,082
Total Net Assets	<u><u>\$ 38,596,922</u></u>

The notes to the financial statements are an intergral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 8,534,407	\$ 398,949	\$ 186,048	\$ (7,949,410)
Special	2,266,024	0	1,395,922	(870,102)
Vocational	106,014	0	0	(106,014)
Student Intervention Services	42,703	0	0	(42,703)
Other	911,396	0	0	(911,396)
Support Services:				
Pupils	1,761,766	0	0	(1,761,766)
Instructional Staff	294,693	0	38,837	(255,856)
Board of Education	31,683	0	0	(31,683)
Administration	1,449,573	0	5,000	(1,444,573)
Fiscal	456,709	0	0	(456,709)
Business	121,720	0	0	(121,720)
Operation and Maintenance of Plant	1,604,622	0	411	(1,604,211)
Pupil Transportation	1,473,276	0	1,207	(1,472,069)
Central	88,687	0	0	(88,687)
Operation of Food Services	642,234	351,992	372,580	82,338
Extracurricular Activities	530,367	191,078	0	(339,289)
Interest and Fiscal Charges	261,630	0	0	(261,630)
Total Governmental Activities	\$ 20,577,504	\$ 942,019	\$ 2,000,005	(17,635,480)

General Revenues

Property Taxes Levied for:	
General Purposes	5,197,109
Debt Service	411,329
Other Purposes	69,488
Grants and Entitlements not Restricted to Specific Programs	17,821,256
Investment Earnings	26,653
Miscellaneous	68,498
Total General Revenues	23,594,333
<i>Change in Net Assets</i>	5,958,853
<i>Net Assets Beginning of Year</i>	32,638,069
<i>Net Assets End of Year</i>	\$ 38,596,922

The notes to the financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

**Balance Sheet
Governmental Funds
June 30, 2011**

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 8,308,231	\$ 251,680	\$ 387,137	\$ 1,572,584	\$ 10,519,632
Restricted Cash and Cash Equivalents	31,016	0	0	0	31,016
Receivables:					
Accounts	134	0	0	0	134
Taxes	6,194,115	524,360	0	87,766	6,806,241
Intergovernmental	75,357	0	4,906,949	755,483	5,737,789
Total Assets	\$ 14,608,853	\$ 776,040	\$ 5,294,086	\$ 2,415,833	\$ 23,094,812
Liabilities:					
Accounts Payable	\$ 38,435	\$ 0	\$ 0	\$ 23,004	\$ 61,439
Accrued Wages and Benefits	1,514,724	0	0	282,201	1,796,925
Intergovernmental Payable	481,279	0	0	60,234	541,513
Deferred Revenue	5,779,676	482,519	4,906,949	704,969	11,874,113
Total Liabilities	7,814,114	482,519	4,906,949	1,070,408	14,273,990
Fund Balances:					
Restricted	327,516	293,521	387,137	1,352,495	2,360,669
Assigned	68,123	0	0	0	68,123
Unassigned	6,399,100	0	0	(7,070)	6,392,030
Total Fund Balances	6,794,739	293,521	387,137	1,345,425	8,820,822
Total Liabilities and Fund Balances	\$ 14,608,853	\$ 776,040	\$ 5,294,086	\$ 2,415,833	\$ 23,094,812

The notes to the financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

**Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
June 30, 2011**

Total Governmental Fund Balances	\$	8,820,822
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		28,552,958
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Grants	\$ 624,131	
Excess Cost	75,357	
Ohio School Facilities Commission	4,906,949	
Delinquent Property Taxes	573,590	6,180,027
Bond issuance costs (deferred charges)		110,780
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Refunding Bond	(5,110,000)	
Refunding Bond Capital Appreciation Bonds	(4,999)	
Unamortized Bond Premium	(130,568)	
Refunding Loss	19,787	
Capital Leases	(18,431)	(5,244,211)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Accrued Interest Payable	(11,796)	
Compensated Absences	(1,588,240)	
Accrued Vacation Payable	(78,132)	(1,678,168)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,854,714
Net Assets of Governmental Activities	\$	38,596,922

The notes to the financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,107,294	\$ 408,126	\$ 0	\$ 68,587	\$ 5,584,007
Intergovernmental	11,633,337	74,538	460,001	2,210,124	14,378,000
Investment Earnings	22,562	0	411	5,995	28,968
Tuition and Fees	349,265	0	0	0	349,265
Rentals	2,153	0	0	0	2,153
Extracurricular Activities	53,221	0	0	135,709	188,930
Charges for Services	0	0	0	351,967	351,967
Miscellaneous	68,364	0	0	0	68,364
Total Revenues	<u>17,236,196</u>	<u>482,664</u>	<u>460,412</u>	<u>2,772,382</u>	<u>20,951,654</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,362,749	0	0	925,812	7,288,561
Special	1,633,670	0	0	624,491	2,258,161
Vocational	105,047	0	0	0	105,047
Student Intervention Services	42,703	0	0	0	42,703
Other	895,674	0	0	15,722	911,396
Support Services:					
Pupils	1,600,102	0	0	167,904	1,768,006
Instructional Staff	277,625	0	0	33,623	311,248
Board of Education	31,683	0	0	0	31,683
Administration	1,396,462	0	0	26,248	1,422,710
Fiscal	452,548	9,062	0	1,529	463,139
Business	105,765	0	0	0	105,765
Operation and Maintenance of Plant	1,369,516	0	0	91,595	1,461,111
Pupil Transportation	1,546,474	0	0	10,242	1,556,716
Central	81,327	0	0	5,000	86,327
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	637,810	637,810
Extracurricular Activities	385,163	0	0	138,914	524,077
Capital Outlay	0	0	89,170	0	89,170
Debt Service:					
Principal Retirement	15,035	0	0	0	15,035
Interest and Fiscal Charges	1,225	547,235	0	0	548,460
Refunding Bond Issuance Costs	0	120,012	0	0	120,012
Total Expenditures	<u>16,302,768</u>	<u>676,309</u>	<u>89,170</u>	<u>2,678,890</u>	<u>19,747,137</u>
Excess of Revenues Over (Under) Expenditures	<u>933,428</u>	<u>(193,645)</u>	<u>371,242</u>	<u>93,492</u>	<u>1,204,517</u>
Other Financing Sources (Uses):					
Refunding Bonds Issued	0	5,114,999	0	0	5,114,999
Premium on Refunding Bond Issued	0	141,449	0	0	141,449
Payment to Refunded Bond Escrow Agent	0	(5,136,436)	0	0	(5,136,436)
Total Other Financing Sources and (Uses)	<u>0</u>	<u>120,012</u>	<u>0</u>	<u>0</u>	<u>120,012</u>
Net Change in Fund Balance	933,428	(73,633)	371,242	93,492	1,324,529
Fund Balance (Deficit) at Beginning of Year, (Restated-See Note 1T)	<u>5,861,311</u>	<u>367,154</u>	<u>15,895</u>	<u>1,251,933</u>	<u>7,496,293</u>
Fund Balance (Deficit) at End of Year	<u>\$ 6,794,739</u>	<u>\$ 293,521</u>	<u>\$ 387,137</u>	<u>\$ 1,345,425</u>	<u>\$ 8,820,822</u>

The notes to the financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 1,324,529

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

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

Capital Asset Additions	\$ 265,595	
Current Year Depreciation	<u>(1,555,942)</u>	
Total		(1,290,347)

Net effect of transactions involving disposal of capital assets are not reflected in the funds. (819)

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

Grants	569,864	
Excess Cost	13,973	
Ohio School Facilities Commission	4,906,949	
Delinquent Property Taxes	<u>93,917</u>	5,584,703

Governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 110,780

Repayment of leases and bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Lease Principal	15,035	
Capital Appreciation Bonds Principal-Refunded	<u>122,698</u>	137,733

The issuance of bonds and notes results in expenditures and other financing sources and uses in the governmental funds, but these transactions are not reflected in the statement of net assets as long-term assets and liabilities.

Payment to Refunding Bond Escrow Agent	5,115,000	
Proceeds from Refunding Bonds	<u>(5,114,999)</u>	1

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

Accrued Interest Payable	9,640	
Compensated Absences	(120,007)	
Vacations Payable	(19,659)	
Bond Accretion, Net	154,492	
Amortization of Bond Premium, Net	(130,568)	
Amortization of Refunding Loss, Net	<u>19,787</u>	(86,315)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.

Change in Net Assets of Governmental Activities 178,588

\$ 5,958,853

The notes to the financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE 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, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,864,788	\$ 5,785,955	\$ 5,805,816	\$ 19,861
Intergovernmental	11,253,510	11,579,392	11,597,496	18,104
Investment Income	19,283	19,000	22,562	3,562
Tuition and Fees	54,264	349,809	349,859	50
Rental	1,022	1,169	2,019	850
Miscellaneous	42,827	63,389	67,564	4,175
Total Revenues	<u>17,235,694</u>	<u>17,798,714</u>	<u>17,845,316</u>	<u>46,602</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,687,119	6,614,542	6,461,346	153,196
Special	1,396,549	1,663,376	1,644,173	19,203
Vocational	113,091	110,161	106,603	3,558
Student Intervention Services	48,209	45,315	28,455	16,860
Other	1,223,801	988,817	907,561	81,256
Support Services:				
Pupils	1,519,331	1,637,287	1,586,903	50,384
Instructional Staff	443,378	346,961	303,768	43,193
Board of Education	39,477	37,908	31,476	6,432
Administration	1,397,598	1,369,492	1,341,013	28,479
Fiscal	471,214	457,961	449,068	8,893
Business	162,203	145,760	110,344	35,416
Operation and Maintenance of Plant	1,580,790	1,574,439	1,348,173	226,266
Pupil Transportation	1,598,304	1,678,992	1,560,068	118,924
Central	135,942	154,130	84,360	69,770
Extracurricular Activities	473,593	409,424	389,189	20,235
Total Expenditures	<u>17,290,599</u>	<u>17,234,565</u>	<u>16,352,500</u>	<u>882,065</u>
Excess of Revenues Over (Under) Expenditures	(54,905)	564,149	1,492,816	928,667
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	0	800	800	0
Refund of Prior Year Expenditures	0	0	230	230
Total Other Financing Sources (Uses)	<u>0</u>	<u>800</u>	<u>1,030</u>	<u>230</u>
Net Change in Fund Balance	(54,905)	564,949	1,493,846	928,897
Fund Balance (Deficit) at Beginning of Year	6,746,052	6,746,052	6,746,052	0
Prior Year Encumbrances Appropriated	24,459	24,459	24,459	0
Fund Balance (Deficit) at End of Year	<u>\$ 6,715,606</u>	<u>\$ 7,335,460</u>	<u>\$ 8,264,357</u>	<u>\$ 928,897</u>

The notes to the financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Statement of Fund Net Assets
Proprietary Fund
June 30, 2011

	<u>Governmental Activities - Internal Service Funds</u>
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,085,340
Accounts Receivable	<u>2,681</u>
Total Assets	<u>2,088,021</u>
Liabilities:	
<i>Current Liabilities:</i>	
Claims Payable	<u>233,307</u>
Total Liabilities	<u>233,307</u>
Net Assets:	
Unrestricted	<u><u>\$ 1,854,714</u></u>

The notes to the financial statements are an integral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	<u>Governmental Activities - Internal Service Funds</u>
Operating Revenues:	
Charges for Services	\$ 2,519,362
Total Operating Revenues	<u>2,519,362</u>
Operating Expenses:	
Purchased Services	375,703
Claims	<u>1,967,888</u>
Total Operating Expenses	<u>2,343,591</u>
Operating Income (Loss)	175,771
Non-Operating Revenue:	
Investment Earnings	<u>2,817</u>
Change in Net Assets	178,588
Net Assets (Deficit) Beginning of Year	<u>1,676,126</u>
Net Assets (Deficit) End of Year	<u><u>\$ 1,854,714</u></u>

The notes to the financial statements are an intergral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Received for Charges for Services	\$ 2,516,681
Cash Paid for Goods and Services	(375,703)
Cash Paid for Claims	(2,094,878)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>46,100</u>
Cash Flows From Investing Activities:	
Cash Receipts for Interest	2,817
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>2,817</u>
<i>Net Increase in Cash and Cash Equivalents</i>	48,917
<i>Cash and Cash Equivalents at Beginning of Year</i>	2,036,423
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 2,085,340</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ 175,771
Changes in Assets and Liabilities:	
(Increase) decrease in assets:	
Accounts Receivable	(2,681)
Increase (Decrease) in Liabilities:	
Claims Payable	(126,990)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ 46,100</u></u>

The notes to the financial statements are an intergral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Statement of Assets & Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 51,901
Accounts Receivable	<u>75</u>
Total Assets	<u><u>51,976</u></u>
Liabilities:	
Due to Students	<u><u>\$ 51,976</u></u>

The notes to the financial statements are an intergral part of this statement.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Southeast Local School District, Portage County, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 87 non-certified and approximately 138 certified teaching personnel and administrative employees providing education to 2,080 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District participates in a jointly governed organization, the Stark-Portage Area Computer Consortium (SPARCC). SPARCC provides the data processing services needed by the participating Districts. Information regarding this organization is presented in Note 12.

The financial statements of the 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 District will apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to any governmental activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of "current financial flow" (sources, uses and balances of current financial resources). The following are the District's major governmental funds:

General Fund - This fund is the general operating fund of the District and is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - This fund provides for the retirement of bonds. All revenue derived from general or special levies, either within or exceeding the ten-mil limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

Classroom Facilities Fund - This fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources. The bond retirement does not meet the criteria to be a major fund, the District exercises its right to treat it as one.

Proprietary Funds - The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The District's only proprietary fund is an internal service fund.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program that accounts for health and medical claims of District employees.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student managed activities.

C. Basis of Presentation – Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

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

Agency funds do not report a measurement focus, as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 4). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue within the basic financial statements.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Grants and entitlements received before the eligibility requirements are met and receivables that will not be collected within the available period have been reported as deferred revenue in the governmental fund financial statements.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the "operating grants, contributions and interest" program revenue account.

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

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

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

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

The major differences between the budget basis and GAAP basis are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure; and,
4. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

Budget Basis	\$ 933,428
Net adjustments for revenue accruals	667,114
Net adjustments for expenditure accruals	(78,324)
Funds budgeted elsewhere	(4,139)
Adjustments for encumbrances	<u>(24,233)</u>
GAAP Basis	<u>\$ 1,493,846</u>

F. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2011, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAROhio). STAROhio is a very liquid investment account which is reported as cash equivalents in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and cash equivalents represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, for more detail on the District's cash and cash equivalents.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*”, the District records all its investments at fair value. See Note 3, for more detail on the District’s investments.

The District has invested funds in STAROhio during 2011. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$22,562, which includes \$7,435 assigned from other District funds.

H. Capital Assets and Depreciation

General capital assets are those assets related to activities reported in the governmental funds. All of the District’s capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Building and Improvements	25 - 75
Machinery and Equipment	8 - 20
Vehicles	5 - 10

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011***

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund financial statements.

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

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund & Food Service Fund
General Obligation Bond	Bond Retirement Fund
Capital Lease	General Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the termination method. Employees earn one and one-fourth days of sick leave per month up to a maximum of 15 days per year. Upon retirement, a percentage of unused sick leave is paid based upon years of experience. The percentages are 15 percent for 0-5 years, 30 percent for 6-15 years and 35 percent for 16 years and up. Maintenance and custodial employees receive an additional 15 days of severance for 6-15 years of service and an additional 30 days of severance for 16 years of service at retirement.

For the certified staff, the percentages are 10% for 0-5 years, 25% for 6-15 years, and 30% for 16 years and up. Regardless of the percentage received, the maximum number of days payable under this provision per year is 75.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as expenditure in the fund from which the individual earning the leave is paid.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets in the General Fund include amounts set aside as a reserve for textbooks and instructional materials. See Note 10 for additional information regarding set asides.

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

L. Pensions

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred. For governmental funds, unpaid pension liabilities earned as of June 30, 2011 are recorded as a fund liability.

M. Interfund Activity

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

N. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material. See Note 10 for additional information regarding set asides.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

Nonspendable - resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General fund that is not restricted, committed or assigned.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purpose for which any of the respective fund balance classifications could be used.

P. Estimates

The preparation of 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.

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2011.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011***

S. Changes in Accounting Principles

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

T. Restatement of Fund Balances

On July 1, 2011, the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the public school support and the uniform school supplies funds previously reported as a Special Revenue funds were classified to the General fund for GAAP reporting purposes. The following is the effect of that change in fund balances:

	General Fund	Classroom Facilities	Other Governmental Funds
Fund Balance June 30, 2010	\$ 5,821,560	\$ 15,895	\$ 1,291,684
Fund Reclassification	39,751	0	(39,751)
Restated Fund Balance July 1, 2011	\$ 5,861,311	\$ 15,895	\$ 1,251,933

NOTE 2 - ACCOUNTABILITY

The following funds had GAAP deficit balances at June 30, 2011:

Non-Major Special Revenue Funds:	Fund Balance
Miscellaneous state funds	\$ 89
IDEA grant fund	6,155
Education stabilization fund	826

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is when cash is needed rather than when accruals occur.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing no more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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 payment of 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan.
3. Written repurchase agreements in 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 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;

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year end, the carrying amount of the District's deposits was \$8,475,971 and the bank balance was \$8,682,992. Of the bank balance:

1. \$1,401,836 was covered by federal depository insurance; and
2. \$7,281,156 was exposed to custodial credit risk as discussed above. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Investments

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District’s policy indicates that investments must mature within five years, unless matched to a specific obligation or debt of the District. During the year, the District’s only investment was in STAROhio.

Ending investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2011. This value as of June 30, 2011 was \$4,211,918.

Credit Risk – The District’s only investment at June 30, 2011 was in STAROhio, which is rated AAAM by Standard & Poor’s. The District’s policy doesn’t address credit risk.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. During the year, the District’s only investment was in STAROhio.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Securities, held by the counterparty and not in the District’s name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The District’s policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property located within the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Real property taxes collected were based on assessed value equal to 35% of appraised market value. Real property taxes are payable annually or semi-annually. The first payment is due December 31, and the remainder is payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Public utility property taxes attached as a lien on December 31 of the prior year, were levied on April 1 and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011***

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential/Agricultural/Other	\$ 217,280,810	96.60%	\$ 215,763,980	96.52%
Tangible Personal Property:				
General	334,570	0.15%	169,600	0.08%
Public Utility	7,315,740	3.25%	7,594,080	3.40%
	\$ 224,931,120	100.00%	\$ 223,527,660	100.00%
Tax rate per \$1,000 assessed valuation	\$ 39.56		\$ 39.63	

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to unearned/deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2011, was \$538,565 and is recognized as revenue. \$489,796 was available to the general fund, \$41,841 was available to the debt service fund and \$6,928 was available in the classroom facility fund.

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

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011***

NOTE 5 - RECEIVABLES

Receivables at June 30, 2011 consisted of accounts, taxes and intergovernmental receivables. A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	\$ 75,357
Classroom Facilities	4,906,949
Other governmental funds:	
IDEA Grant	90,809
Title I	68,789
Education Job	580,430
Title II-A	15,455
	\$ 5,737,789

All receivables are considered collectible in one year except for OSFC.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 400,918	\$ 0	\$ 0	\$ 400,918
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,544,781	0	0	2,544,781
Buildings and Improvements	38,539,912	0	0	38,539,912
Machinery and Equipment	2,060,713	86,444	(17,550)	2,129,607
Vehicles	2,379,872	179,151	0	2,559,023
<i>Total Capital Assets, Being Depreciated</i>	45,525,278	265,595	(17,550)	45,773,323
<i>Accumulated Depreciation</i>				
Land Improvements	(1,655,960)	(84,980)	0	(1,740,940)
Buildings and Improvements	(10,796,964)	(1,318,871)	0	(12,115,835)
Machinery and Equipment	(1,791,112)	(54,281)	16,731	(1,828,662)
Vehicles	(1,838,036)	(97,810)	0	(1,935,846)
<i>Total Accumulated Depreciated</i>	(16,082,072)	(1,555,942)	16,731	(17,621,283)
<i>Total Capital Assets Being Depreciated, Net</i>	29,443,206	(1,290,347)	(819)	28,152,040
<i>Governmental Activities, Capital Assets, Net</i>	\$ 29,844,124	\$ (1,290,347)	\$ (819)	\$ 28,552,958

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,371,043
Vocational	1,803
Support Services:	
Instructional Staff	1,664
Administration	4,056
Business	14,825
Operations and Maintenance of Plant	42,165
Pupil Transportation	101,021
Central	2,360
Operation of Food Services	10,715
Extracurricular Activities	6,290
Total Depreciation	<u>\$ 1,555,942</u>

NOTE 7- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District’s contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$274,062, \$306,282, and \$202,016, respectively, 57% has been contributed for fiscal year 2011 and 100% of the contributions have been made for fiscal years 2010 and 2009.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

B. State Teachers Retirement System

Plan Description – The 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 publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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 divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. 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. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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.

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% 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% for members and 14% for employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010 and 2009 were \$949,028, \$1,044,913, and \$920,284, respectively; 83% has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$15,754 made by the District and \$11,253 made by the plan members.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

C. 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, 2011, three of the school board members have elected social security. The Board's liability is 6.2% of wages paid.

NOTE 8 - POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 premium. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorized 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 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$73,002, \$80,378, and \$70,791, respectively; 83% has been contributed for fiscal year 2011 and 100% for the fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description — The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included 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 the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocated the remainder of the employer contribution of 14% 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 2011, 1.43% of covered payroll was allocated to health care.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, 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 the years ended June 30, 2011, 2010 and 2009 were \$33,184, \$11,024, and \$92,452, respectively; 57% has been contributed for fiscal year 2011 and 100% of the contributions have been made for fiscal years 2010 and 2009.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$17,627, \$18,214, and \$11,828, respectively, 57% has been contributed for fiscal year 2011 and 100% of the contributions have been made for fiscal years 2010 and 2009.

NOTE 9 – LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long-term general obligation bonds, compensated absences and capital lease of the District for the year ended June 30, 2011, is as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amount Due Within One Year
General Obligation Bonds:					
2001 Classroom Facilities Improvements:					
Serial Bonds	\$ 5,115,000	\$ 0	\$ (5,115,000)	\$ 0	\$ 0
Capital Appreciation Bonds	122,698	0	(122,698)	0	0
Accretion on Capital Appreciation Bonds	154,492	12,810	(167,302)	0	0
2011 Refunding Bond:					
Refunding Bond	0	5,110,000	0	5,110,000	320,000
Capital Appreciation Bonds	0	4,999	0	4,999	0
Unamortized Premium	0	141,449	(10,881)	130,568	0
Refunding Loss	0	(21,436)	1,649	(19,787)	0
	<u>5,392,190</u>	<u>5,247,822</u>	<u>(5,414,232)</u>	<u>5,225,780</u>	<u>320,000</u>
Other Long-Term Obligations:					
Compensated Absences	1,468,233	209,328	(89,321)	1,588,240	81,677
Capital Lease	33,466	0	(15,035)	18,431	15,741
	<u>1,501,699</u>	<u>209,328</u>	<u>(104,356)</u>	<u>1,606,671</u>	<u>97,418</u>
	<u>\$ 6,893,889</u>	<u>\$ 5,457,150</u>	<u>\$ (5,518,588)</u>	<u>\$ 6,832,451</u>	<u>\$ 417,418</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

Classroom Facilities Improvement Bonds - On May 15, 2001, the District issued \$7,212,000 in bonds for school construction. The bonds mature on December 1, 2023 and bear an interest rate between 4.0 and 5.1%. The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds mature on December 1, 2010 and December 1, 2023. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as long-term liability. The maturity amount of the bonds is \$290,000. For fiscal year 2011, \$12,810 was accreted for a liability of \$167,302.

2011 School Improvement Refunding General Obligation Bond – On June 2, 2011, the District issued \$5,114,999 refunded general obligation bond. The proceeds of the bonds were used to refund \$5,115,000 of the District's outstanding 2001 Classroom Facilities Improvement bond. The bonds were issued for 13 year period with final maturity at December 1, 2023. At the end of the refunding \$5,136,436 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bond. As of June 30, 2011, \$5,115,000 of these bonds is considered to be defeased.

This refunding bond was issued with a premium of \$141,449, which is reported as an increase to bonds payable. The amounts are being amortized as interest expense over the life of the bonds using the straight-line method, the amortization for June 30, 2011 was \$10,881. The issuance costs of \$120,012 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method; the amortization for June 30, 2011 was \$9,232. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$21,436. This difference, reported in the accompanying financial statements as a difference to bonds payable, is being amortized as interest over the life of the bonds using the straight line method. The amortization of this difference for fiscal year 2011 was \$1,649. The issuance resulted in an economic gain of \$544,501.

The bond issue consists of serial and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bond matures December 1, 2019. This bond was purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as an increase in long-term liability. The maturity amount of the bond is \$20,000.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2011, follows:

Fiscal Year Ending June 30,	General Obligation Bond			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 320,000	\$ 146,084	\$ 466,084	\$ 0	\$ 0	\$ 0
2013	355,000	139,750	494,750	0	0	0
2014	360,000	132,600	492,600	0	0	0
2015	365,000	125,350	490,350	0	0	0
2016	370,000	118,000	488,000	0	0	0
2017-2021	1,965,000	442,181	2,407,181	4,999	15,001	20,000
2022-2024	1,375,000	83,619	1,458,619	0	0	0
	<u>\$5,110,000</u>	<u>\$1,187,584</u>	<u>\$6,297,584</u>	<u>\$ 4,999</u>	<u>\$ 15,001</u>	<u>\$ 20,000</u>

NOTE 10 – STATUTORY RESERVES

The 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 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 purpose in future years.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvement Reserve	Textbook/ Instructional Materials Reserve
Set-Aside Reserve Balance, June 30, 2010	\$ 0	\$ 39,855
Current Year Set-Aside Requirement	274,374	274,374
Contributions in Excess of the Current Fiscal Year Set-Aside Requirement	0	0
Current Year Qualifying Expenditures	(274,374)	(283,213)
Excess Qualified Expenditures From Prior Years	0	0
Current Year Offset	0	0
Waiver Granted by the Department of Education	0	0
Prior Year Offset From Bond Proceeds	0	0
Total	<u>\$ 0</u>	<u>\$ 31,016</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ 0</u>	<u>\$ 31,016</u>
Set-Aside Reserve Balance June 30, 2012	<u>\$ 0</u>	<u>\$ 31,016</u>

The District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. The extra amounts for the textbook and/or instructional materials may be used to reduce the set-aside requirement in future fiscal years. Amounts remaining at the fiscal year end are represented by a restricted fund balance presented on the balance sheet. Effective July 1, 2011, textbook set-asides have been repealed.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 11 - RISK MANAGEMENT

A. Public Entity Risk Pools

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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 Districts that can meet the GRP's selection criteria. The Sheakley Group provides administrative, cost control and actuarial services to the GRP.

B. Other Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2011, the District contracted for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>	
		<u>Description</u>	<u>Amount</u>
Ohio School Plan	Automobile/Fleet	Buses	\$ 1,000
		Auto-Comprehensive	250
		Auto - Collision	500
Ohio School Plan	Property	General	1,000
Ohio School Plan	General Liability	General	0
		Employee Benefits Liability	0
		Employers Liability	0
		Educational Legal Liability	2,500

There has been no significant reduction in insurance coverages as compared to the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past four fiscal years.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

The District also maintains a self-funded health insurance program for employee health coverage. The plan was started in July of 2003. The claims are processed by the third party administrator, Benefit Services Inc. An internal service fund is presented in the financial statements and reflects premiums paid into the self-insurance fund by other funds which are available to pay claims and administrative costs, and establish claims reserves. Claims are paid weekly through the third party administrator and fixed costs for administrative and stop loss costs are paid on a monthly basis. The District purchases stop-loss coverage through Sun Life Insurance Company to protect the plan in the occurrence of catastrophic claims. The outstanding claims at June 30, 2011 for the self-insurance program amounted to \$233,307.

The claims liability reported in the fund at June 30, 2011 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount in 2010 and 2011 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims	Claims Payments	Balance at Fiscal Year End
2010	\$ 416,975	\$ 2,026,367	\$ (2,083,045)	\$ 360,297
2011	360,297	1,967,888	(2,094,878)	233,307

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

Stark Portage Area Computer Consortium

The Stark Portage Area Computer Consortium (SPARCC) is the computer service organization used by the Southeast Local District. SPARCC is an association of public Districts in a geographic area determined by the Ohio Department of Education. The Stark County Educational Service Center acts as the fiscal agent for the consortium.

The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges and assessments as charged. SPARCC is governed by a board made up of superintendents from all of the participating districts. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. During fiscal year 2011, the amount paid by the District was \$81,526. The Southeast Local School District does not maintain an ongoing financial interest or an ongoing financial responsibility.

Payments to SPARCC are made from the general fund. Financial information can be obtained from Gene Feucht, who serves as director, at 2100 38th Street, NW, Canton, Ohio 44709.

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 13 - CONTINGENCIES

A. Grants

The District receives 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2011.

NOTE 14 – CAPITAL LEASE

Capital lease obligations relate to copier equipment which is leased under a long-term agreement. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. \$59,300 has been recorded as capital assets relating to capital leases with \$44,475 of accumulated depreciation as of June 30, 2011. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011 is summarized below.

Fiscal Year Ending June 30,	Capital Lease		
	Principal	Interest	Total
2012	\$ 15,741	\$ 519	\$ 16,260
2013	2,690	20	2,710
	<u>\$ 18,431</u>	<u>\$ 539</u>	<u>\$ 18,970</u>

SOUTHEAST LOCAL SCHOOL DISTRICT, PORTAGE COUNTY, OHIO

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 15 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:					
General Fund	\$ 327,516	\$ 0	\$ 0	\$ 0	\$ 327,516
Debt Service	0	293,521	0	0	293,521
Capital Outlay	0	0	387,137	236,869	624,006
School Supplies	0	0	0	0	0
Special Education	0	0	0	0	0
Other Purposes	0	0	0	1,115,626	1,115,626
Total Restricted	<u>327,516</u>	<u>293,521</u>	<u>387,137</u>	<u>1,352,495</u>	<u>2,360,669</u>
Assigned for:					
Encumbrances	24,233	0	0	0	24,233
Other Purposes	43,890	0	0	0	43,890
Total Assigned	<u>68,123</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>68,123</u>
Unassigned	<u>6,399,100</u>	<u>0</u>	<u>0</u>	<u>(7,070)</u>	<u>6,392,030</u>
Total Fund Balance (Deficit)	<u>\$ 6,794,739</u>	<u>\$ 293,521</u>	<u>\$ 387,137</u>	<u>\$ 1,345,425</u>	<u>\$ 8,820,822</u>

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	2011	10.553	66,273		66,273	
National School Lunch Program	2011	10.555	282,797	49,301	282,797	49,301
<i>Total Child Nutrition Cluster</i>			349,070		349,070	
Total U.S. Department of Agriculture			349,070	49,301	349,070	49,301
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States (IDEA Part B)	2010	84.027	49,350		62,387	
	2011		342,606		342,606	
ARRA Special Education IDEA	2010	84.391	(2,921)			
	2011		146,496		145,239	
Subtotal - CFDA 84.027 and 84.391			535,531		550,232	
Special Education - Preschool Grants	2010	84.173	809		809	
	2011		3,477		3,477	
ARRA Early Child Special Education IDEA	2010	84.392	497		497	
	2011		1,614		1,614	
Subtotal - CFDA 84.173 and 84.392			6,397		6,397	
<i>Total Special Education Cluster</i>			541,928		556,629	
Title I Grants to Local Educational Agencies (Title I Part A)	2010	84.010	22,685		32,432	
	2011		180,702		180,513	
Title I School Improvement	2011				1,527	
ARRA Title I	2010	84.389	7,248		10,446	
	2011		25,906		25,906	
Subtotal - CFDA 84.010 and 84.389			236,541		250,824	
Education Technology	2011	84.318	731		731	
Improving Teacher Quality State Grants (Title II-A)	2010	84.367	2,425		7,493	
	2011		80,724		80,406	
Subtotal - CFDA 84.367			83,149		87,899	
ARRA State Fiscal Stabilization Fund	2010	84.394			114,816	
	2011		861,022		709,595	
Subtotal - CFDA 84.394			861,022		824,411	
Total U.S. Department of Education			1,723,371		1,720,494	
Totals			\$ 2,072,441	\$ 49,301	\$ 2,069,564	\$ 49,301

The accompanying notes to this schedule are an integral part of this schedule.

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Southeast Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFER BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA Special Education IDEA	84.391	\$2,921



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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Southeast Local School District
Portage County
8245 Tallmadge Road
Ravenna, Ohio 44266

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District, Portage County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2011, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Compliance and Other Matters

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

We intend this report solely for the information and use of the management, Board of Education, others within the entity, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

December 14, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Southeast Local School District
Portage County
8245 Tallmadge Road
Ravenna, Ohio 44266

To the Board of Education:

Compliance

We have audited the compliance of Southeast Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Southeast Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended December 14, 2011.

Internal Control Over Compliance

The District's management 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be 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.

However, we did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 14, 2011.

We intend this report solely for the information and use of the management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 14, 2011

**SOUTHEAST LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster– CFDA # 84.027, 84.391, 84.173, 84.392 SFSF, CFDA # 84.394 AND Nutrition Cluster, CFDA# 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Southeast Local School District
Portage County
8245 Tallmadge Rd
Ravenna, OH 44266

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on August 30, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 14, 2011



Dave Yost • Auditor of State

SOUTHEAST LOCAL SCHOOL DISTRICT

PORTAGE 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 31, 2012**