

SOUTHEASTERN LOCAL SCHOOL DISTRICT



Basic Financial Statements

June 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Southeastern Local School District, Clark County, prepared by Plattensburg & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 25, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Southeastern Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, during the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board ("GASB") 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 19, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 19, 2011

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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

Financial Highlights

Key financial highlights for 2011 are as follows:

- Assets exceeded liabilities at the close of the most recent fiscal year by \$9.37 million. Of this amount, \$5.18 million is unrestricted for the School District's discretionary use.
- General revenues accounted for \$7.28 million in revenue or 82.61 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1.53 million or 17.39 percent of total revenues of \$8.82 million.
- The School District had \$8.50 million in expenses related to governmental activities; only \$1.53 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7.28 million were adequate to provide for these programs.
- Among major funds, the general fund had \$7.48 million in revenues and \$7.09 million in expenditures. The permanent improvement fund had \$0.34 million in revenues and \$0.50 million in expenditures.

Overview of the Financial Statements

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

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

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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

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

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

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

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

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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

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

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

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's net assets for 2010 to 2011.

Table 1
Net Assets

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Assets			
Current Assets	\$ 9,480,537	\$ 9,565,524	\$ 84,987
Capital Assets (Net of Depreciation)	<u>4,059,886</u>	<u>4,073,623</u>	<u>13,737</u>
Total Assets	<u>13,540,423</u>	<u>13,639,147</u>	<u>98,724</u>
Liabilities			
Current Liabilities	2,679,780	2,556,184	(123,596)
Long-Term Liabilities	<u>1,809,145</u>	<u>1,716,749</u>	<u>(92,396)</u>
Total Liabilities	<u>4,488,925</u>	<u>4,272,933</u>	<u>(215,992)</u>

The decrease in current liabilities for 2011 resulted from payables recorded at June 30, 2010 being paid during fiscal year 2011. Long-term liabilities decreased as the result of the payment of scheduled debt service payments. The increase in current assets was due to the increase in property taxes.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

receivable recorded at June 30, 2011 as tax receipts are expected to increase for fiscal year 2012.

Table 1
Net Assets (continued)

Net Assets			
Invested in Capital Assets,			
Net of Related Debt	2,645,403	2,816,940	171,537
Restricted for:			
Grants	149,147	30,538	(118,609)
District Manged Activities	-	119,041	119,041
State Mandates	184,918	199,052	14,134
Capital Improvements	1,174,985	1,015,118	(159,867)
Other Purposes	-	1,802	1,802
Unrestricted	<u>4,897,045</u>	<u>5,183,723</u>	<u>286,678</u>
Total Net Assets	<u>\$ 9,051,498</u>	<u>\$ 9,366,214</u>	<u>\$ 314,716</u>

Table 2 provides a comparison of the revenue for fiscal years 2010 and 2011.

Table 2
Revenues

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$ 622,053	\$ 714,765	\$ 92,712
Operating Grants	834,497	818,836	(15,661)
<i>General Revenues</i>			
Property Taxes	2,384,282	2,620,924	236,642
Income Taxes	875,047	888,760	13,713
Unrestricted Grants	3,754,626	3,747,648	(6,978)
Investment Earnings	53,146	16,969	(36,177)
Other	<u>7,672</u>	<u>8,881</u>	<u>1,209</u>
Total Revenues	<u>\$ 8,531,323</u>	<u>\$ 8,816,783</u>	<u>\$ 285,460</u>

Increases noted in the general revenue accounts were due to the increases realized in property and income taxes collected by other government agencies and remitted back to the School District. The increase in charges for services was due to increases in open enrollment tuition payments received in fiscal year 2011 from the Ohio Department of Education as well as increases in revenues associated with the operation of food service and athletic programs during the year. Total revenues increased in 2011 over those reported in 2010 by 3.35 percent.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Table 3 compares total functional expenses from 2010 to 2011.

Table 3
Functional Expenses

Expenses	<u>2010</u>	<u>2011</u>	<u>Change</u>
Instruction:			
Regular	\$ 3,633,631	\$ 3,833,302	\$ 199,671
Special	997,699	1,063,039	65,340
Other	234,737	258,549	23,812
Support Services:			
Pupils/Staff	669,687	673,594	3,907
Administration/Fiscal	928,262	987,112	58,850
Maintenance	556,996	574,373	17,377
Transportation	482,526	430,939	(51,587)
Other	86,286	29,306	(56,980)
Food Service/Latchkey	212,460	222,575	10,115
Extracurricular Activities	329,245	343,640	14,395
Interest and Fiscal Charges	26,076	85,638	59,562
Total Expenses	<u>8,157,605</u>	<u>8,502,067</u>	<u>344,462</u>
Net Change	373,718	314,716	(59,002)
Beginning Net Assets	<u>8,677,780</u>	<u>9,051,498</u>	<u>373,718</u>
Ending Net Assets	<u>\$ 9,051,498</u>	<u>\$ 9,366,214</u>	<u>\$ 314,716</u>

Overall, expenses increased by 4.22% from those reported from the prior year due to inflationary increases in wages and benefits for employees.

The Major Funds

The School District's major funds are accounted for using the modified accrual basis of accounting, focusing on the near-term financial resources of the District. The major funds are the general fund and the permanent improvement fund. Both accounted for 88.90% of the \$8.80 million in total revenue and 88.22% of the \$8.61 million in total expenditures. The general fund and permanent improvement fund received a majority of their revenues from property taxes and intergovernmental revenues. Revenues exceeded expenditures in the general fund creating a year end fund balance of \$5.82 million. The remaining expenditures to retire scheduled debt service, resulted in the permanent improvement fund ending the year with a balance of \$1.01 million; a decrease of \$159,186 from the prior year.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The general fund recognized \$0.82 million in current liabilities for fiscal year 2011. Accrued salaries and benefits accounted for 73.60% of those liabilities. Taxes receivable accounted for 93.69% of the \$2.58 million receivables in the general fund. However, a portion of the taxes receivable is offset by deferred revenue because those taxes are not intended to finance the 2011 fiscal year.

General Fund Budgetary

Table 4 depicts the change from the final budget to the actual revenue for the fiscal year ended June 30, 2011.

Table 4
Original and Final Budget versus Actual General Fund Revenues

	Original Budget	Final Budget	Actual
Revenues			
Property Taxes	\$ 2,119,708	\$ 2,152,300	\$ 2,314,600
Intergovernmental	3,623,557	3,682,264	3,682,264
Tuition and Fees	476,598	484,320	484,320
Income Taxes	876,634	894,002	894,002
Other	7,701	7,826	7,826
Total Revenues	<u>\$ 7,104,198</u>	<u>\$ 7,220,712</u>	<u>\$ 7,383,012</u>

The original/final revenue estimates come from the certificate of estimated resources approved by the County Tax Commission, with tax estimates developed by the County Auditor. The property tax actual amounts are higher than originally expected due to an increase in tax collection for 2011 over 2010. The District was able to more accurately predict revenue throughout the fiscal year from more consistency in the revenue sources.

Table 5 depicts the change from the original to the final general fund expenditure budgets for the fiscal year ended June 30, 2011.

Table 5
Original Budget versus Actual General Fund Expenditures

	Original Budget	Actual
Expenditures		
Instructional	\$ 4,690,217	\$ 4,304,453
Support Services	3,192,022	2,826,896
Other	49,333	49,193
Total Expenditures	<u>\$ 7,931,572</u>	<u>\$ 7,180,542</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The original budget comes from the Tax Budget filed in January of 2010. Traditionally the tax budget expenditures include all possible needs for the future year. A line in the budget is included for contingencies in the original budget. Although this money is not spent, it still shows in the original budget. The variance from the original and final budget is created due to the assumption that the Federal and State Grants are not available until monies are received. Southeastern is continually striving to hold expenditures down to ensure that the burden on the tax payers is held to a minimum, thus cutting planned expenditures where acceptable. The District's final expenditures are \$269,453 less than final budgeted amounts due in part to federal grants paying a portion of salaries and benefits, no severances paid out for retirement and managements efforts to control operating costs of the District.

Capital Assets

At the end of the year, the School District had \$4,073,623 invested in land, construction in progress, land improvements, buildings and improvements, equipment, and vehicles less accumulated depreciation. Table 6 shows the breakdown of the individual classes for capital assets (see note 11 for more detailed information):

Table 6
Capital Assets

Class	2010	2011	Percentage Change
Land	\$ 11,000	\$ 11,000	0.00%
Construction in Progress	151,951	-	-100.00%
Land Improvements	1,007,670	1,007,670	0.00%
Buildings and Improvements	7,117,783	7,554,500	6.14%
Furniture and Equipment	897,661	931,421	3.76%
Vehicles	982,633	982,633	0.00%
Sub-Total	10,168,698	10,487,224	3.13%
Accumulated Depreciation	(6,108,812)	(6,413,601)	4.99%
Net Capital Assets	<u>\$ 4,059,886</u>	<u>\$ 4,073,623</u>	<u>0.34%</u>

Debt Administration

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

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

from the debt service fund. During the year, the District made \$33,624 of principal payments associated with this note issue.

In fiscal year 2010, the District issued \$1.06 million of bonds to finance the construction of school facilities as well as made an acquisition of two new school buses. The bus bond was issued for \$138,600 and will be repaid over 36 months. The District paid \$46,193 of principal payments during the year on the bus bond. The \$918,000 construction bond was issued to finance the construction of a facility as well as other land improvements and will be repaid over a sixteen year period with a \$58,000 principal payment made during the 2011 year. The construction bond is eligible to participate in the 2009 Qualified School Construction Bond Program in which the District issued taxable bonds at a higher rate and will subsequently receive an interest subsidy reimbursement through the Program which makes the effective interest rate on the construction bond being 1.59%.

In a prior year, the District entered into a capital lease to acquire copying equipment used throughout the District. During fiscal year 2011, the District made principal payments of \$19,983 on the capital lease which resulted in an ending obligation of \$45,325 with \$21,014 due during the next fiscal year.

For further information on the School District's debt and lease obligations, refer to notes 16 and 17 of the financial statements.

For the Future

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

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

The District will need to receive additional local monies in some fashion in 2013 or 2014 so that it can stay out of the impending deficit while maintaining our consistently increasing test scores and academic excellence. The District valuation consists mostly of a residential tax base, thus shifting more of the financial responsibility to our taxpayers.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional system, one that was neither "adequate"

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

nor "equitable." Since 1997, the State has directed its tax revenue growth toward School Districts with little property tax wealth. The legislators and government officials have rolled out a new "BRIDGE" funding formula for FY12. However, the effects of the recession on the national, state and our local economy created a state deficit which required the State of Ohio to make nearly \$8 Billion in reductions in the FY12 -13 state biennium budget which translated into funding reductions for nearly every school district in Ohio. This continued reduction in funding adds to uncertainty of where and how much monies we should expect in future years.

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

Contacting the School District's Financial Management

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

Southeastern Local School District
Clark County, Ohio
Statement of Net Assets
June 30, 2011

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,676,467
Cash with Fiscal Agents	1,225
Receivables:	
Property and Other Taxes	2,251,834
Income Tax	355,017
Accounts	7,118
Intergovernmental	55,272
Materials and Supplies Inventory	17,731
Prepaid Items	1,808
Restricted Cash and Cash Equivalents	199,052
Nondepreciable Capital Assets	11,000
Depreciable Capital Assets, net	4,062,623
Total Assets	13,639,147
 <u>Liabilities</u>	
Payables:	
Accounts	6,486
Intergovernmental	234,824
Salaries and Employee Benefits	670,272
Matured Interest	1,225
Unearned Revenue	1,643,377
Noncurrent Liabilities:	
Due Within One Year	223,843
Due in More Than One Year	1,492,906
Total Liabilities	4,272,933
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	2,816,940
Restricted for:	
Capital Improvements	1,015,118
State Mandates	199,052
District Managed Activities	119,041
State and Federal Grant Programs	30,538
Other Purposes	1,802
Unrestricted	5,183,723
Total Net Assets	\$9,366,214

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2011

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,833,302	\$469,622	\$141,708	(\$3,221,972)
Special	1,063,039	16,045	527,810	(519,184)
Vocational	237,042	0	50,104	(186,938)
Student Intervention Services	21,476	0	0	(21,476)
Other	31	0	0	(31)
Support Services:				
Pupils	396,574	0	0	(396,574)
Instructional Staff	277,020	0	0	(277,020)
Board of Education	18,029	0	0	(18,029)
Administration	654,116	0	3,003	(651,113)
Fiscal	314,967	0	0	(314,967)
Operation and Maintenance of Plant	574,373	0	0	(574,373)
Pupil Transportation	430,939	0	0	(430,939)
Central	29,306	9,282	14,081	(5,943)
Operation of Non-Instructional Services	222,575	96,404	69,755	(56,416)
Extracurricular Activities	343,640	123,412	12,375	(207,853)
Interest and Fiscal Charges	85,638	0	0	(85,638)
Total Governmental Activities	\$8,502,067	\$714,765	\$818,836	(\$6,968,466)

General Revenues:

Property Taxes, Levied for General Purposes	2,395,259
Property Taxes, Levied for Capital Outlay	225,665
Income Taxes, Levied for General Purposes	888,760
Grants and Contributions not Restricted to Specific Programs	3,747,648
Unrestricted Investment Earnings	16,969
Miscellaneous	8,881
Total General Revenues	7,283,182
Changes in Net Assets	314,716
Net Assets-Beginning	9,051,498
Net Assets-Ending	\$9,366,214

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Balance Sheet - Governmental Funds
June 30, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,540,510	\$977,934	\$158,023	\$6,676,467
Cash in Segregated Accounts	0	0	1,225	1,225
Receivables:				
Property and Other Taxes	2,058,462	193,372	0	2,251,834
Income Taxes	355,017	0	0	355,017
Accounts	7,118	0	0	7,118
Interfund	155,415	0	0	155,415
Intergovernmental	0	0	55,272	55,272
Prepaid Items	1,808	0	0	1,808
Materials and Supplies Inventory	16,565	0	1,166	17,731
Restricted Assets:				
Cash and Cash Equivalents	199,052	0	0	199,052
Total Assets	<u>\$8,333,947</u>	<u>\$1,171,306</u>	<u>\$215,686</u>	<u>\$9,720,939</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Payables:				
Accounts	\$4,046	\$0	\$2,440	\$6,486
Intergovernmental	211,444	0	23,380	234,824
Salaries and Employee Benefits	600,807	0	69,465	670,272
Interfund	0	0	155,415	155,415
Matured Interest	0	0	1,225	1,225
Deferred Revenue	1,702,524	156,934	21,985	1,881,443
Total Liabilities	<u>2,518,821</u>	<u>156,934</u>	<u>273,910</u>	<u>2,949,665</u>
<u>Fund Balances:</u>				
Nonspendable	18,373	0	1,166	19,539
Restricted	199,052	1,014,372	129,715	1,343,139
Committed	0	0	688	688
Assigned	118,134	0	0	118,134
Unassigned	5,479,567	0	(189,793)	5,289,774
Total Fund Balances	<u>5,815,126</u>	<u>1,014,372</u>	<u>(58,224)</u>	<u>6,771,274</u>
Total Liabilities and Fund Balances	<u>\$8,333,947</u>	<u>\$1,171,306</u>	<u>\$215,686</u>	<u>\$9,720,939</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balances	\$6,771,274
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*Amounts reported for governmental activities in
the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,073,623
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Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	238,066
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,716,749)</u>
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Net Assets of Governmental Activities	<u><u>\$9,366,214</u></u>
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See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Taxes	\$2,403,027	\$226,346	\$0	\$2,629,373
Intergovernmental	3,682,264	99,832	744,135	4,526,231
Charges for Services	0	0	96,404	96,404
Tuition and Fees	484,320	0	0	484,320
Interest	0	16,965	4	16,969
Income Tax	884,080	0	0	884,080
Gifts and Donations	12,084	0	12,513	24,597
Extracurricular Activities	9,282	0	123,412	132,694
Miscellaneous	8,270	0	611	8,881
Total Revenues	7,483,327	343,143	977,079	8,803,549
Expenditures:				
Current:				
Instruction:				
Regular	3,393,225	282,609	143,007	3,818,841
Special	572,785	0	522,162	1,094,947
Vocational	237,894	0	0	237,894
Student Intervention Services	21,476	0	0	21,476
Other	31	0	0	31
Support Services:				
Pupils	400,725	0	58	400,783
Instructional Staff	272,191	0	975	273,166
Board of Education	18,029	0	0	18,029
Administration	616,142	0	2,959	619,101
Fiscal	308,361	3,926	19	312,306
Operation and Maintenance of Plant	561,751	672	0	562,423
Pupil Transportation	368,232	30,743	0	398,975
Central	32,575	10,210	2,627	45,412
Operation of Non-Instructional Services	0	0	218,651	218,651
Extracurricular Activities	215,941	0	123,786	339,727
Capital Outlay	3,000	0	0	3,000
Debt Service:				
Principal Retirement	66,176	91,624	0	157,800
Interest and Fiscal Charges	3,093	82,545	0	85,638
Total Expenditures	7,091,627	502,329	1,014,244	8,608,200
Net Change in Fund Balances	391,700	(159,186)	(37,165)	195,349
Fund Balances - Beginning (restated)	5,423,426	1,173,558	(21,059)	6,575,925
Fund Balances - ending	<u>\$5,815,126</u>	<u>\$1,014,372</u>	<u>(\$58,224)</u>	<u>\$6,771,274</u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Net Change in Governmental Fund Balances	\$195,349
 <i>Amounts reported in governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	13,737
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,234
Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is:	157,800
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures/revenues in governmental funds.	<u>(65,404)</u>
Change in net assets of governmental activities	<u><u>\$314,716</u></u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Clark County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$2,119,708	\$2,152,300	\$2,314,600	\$162,300
Intergovernmental	3,623,557	3,682,264	3,682,264	0
Tuition and Fees	476,598	484,320	484,320	0
Income Tax	876,634	894,002	894,002	0
Miscellaneous	7,701	7,826	7,826	0
Total Revenues	7,104,198	7,220,712	7,383,012	162,300
Expenditures:				
Current:				
Instruction:				
Regular	3,713,618	3,430,403	3,402,742	27,661
Special	716,143	662,171	644,040	18,131
Vocational	233,448	243,053	236,195	6,858
Student Intervention Services	27,008	21,969	21,476	493
Support Services:				
Pupils	426,607	462,757	433,055	29,702
Instructional Staff	316,385	297,826	267,771	30,055
Board of Education	26,618	29,207	21,431	7,776
Administration	745,481	664,854	619,476	45,378
Fiscal	395,428	364,579	305,720	58,859
Operation and Maintenance of Plant	621,742	598,248	580,749	17,499
Pupil Transportation	415,256	381,140	368,764	12,376
Central	17,150	17,647	14,440	3,207
Extracurricular Activities	227,355	226,698	215,490	11,208
Capital Outlay	3,250	3,250	3,000	250
Debt Service:				
Principal Retirement	46,083	0	46,193	0
Total Expenditures	7,931,572	7,449,995	7,180,542	269,453
Excess (Deficiency) of Revenues Over (Under) Expenditures	(827,374)	(229,283)	202,470	431,753
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,272	3,325	3,325	0
Refund of Prior Year Expenditures	7	7	7	0
Advances In	116,310	118,194	118,194	0
Advances Out	(123,600)	(164,000)	(155,415)	8,585
Refund of Prior Year Receipts	0	(3,869)	(3,869)	0
Total Other Financing Sources (Uses)	(4,011)	(46,343)	(37,758)	8,585
Net Change in Fund Balance	(831,385)	(275,626)	164,712	440,338
Fund Balances at Beginning of Year (restated)	5,090,886	5,090,866	5,090,866	0
Prior Year Encumbrances Appropriated	105,957	105,957	105,957	0
Fund Balance at End of Year	\$4,365,458	\$4,921,197	\$5,361,535	\$440,338

See accompanying notes to the basic financial statements

**Southeastern Local School District
Clark County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2011**

	<u>Agency</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$22,661</u>
Total Assets	<u><u>22,661</u></u>
<u>Liabilities</u>	
Accounts Payable	601
Undistributed Monies	8,209
Due to Students	<u>13,851</u>
Total Liabilities	<u><u>\$22,661</u></u>

See accompanying notes to the basic financial statements

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 - Description of the School District and Reporting Entity

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

Reporting Entity:

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

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies

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

A. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

The School District reports the following major governmental funds:

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

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

Fiduciary Fund

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

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

Budgetary Process

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

During fiscal year 2011, the School District did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the permanent improvement capital projects fund during fiscal year 2011 includes \$16,965 assigned from other funds, with other non-major governmental funds reporting \$4.

Interfund Assets/Liabilities

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

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Restricted Assets

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Compensated Absences

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Interfund Activity

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

Exchange/Non-Exchange Transactions

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

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

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Estimates

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

Net Assets

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

Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds”. The details of this (\$1,716,749) difference are as follows:

Capital Lease Payable	(\$ 45,325)
Compensated Absences	(460,066)
Energy Conservation Notes Payable	(300,072)
Bonds Payable	<u>(911,286)</u>
Net Adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$1,716,749)</u>

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund”. The details of \$4,073,623 difference are as follows:

Capital Assets	\$ 10,487,224
Accumulated Depreciation	<u>(6,413,601)</u>
Net Adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 4,073,623</u>

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 2 – Summary of Significant Accounting Policies (Continued)

An element of that reconciliation states that “Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets.” The details of this \$157,800 are as follows:

Principal Reduction on Lease Obligation	\$ 19,983
Principal Reduction on the Energy Conservation Obligation Notes	33,624
Principal Reduction on the Bonds Payable	104,193
<i>Net Adjustment – current financial resources focus to reduce fund balance – total governmental funds to arrive at net assets – governmental activities</i>	\$ 157,800

Another element of that reconciliation states that “capital additions are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.” The details of this \$13,737 are as follows:

Current Capital Additions	\$ 320,146
Depreciation Expense	(306,409)
<i>Net Adjustment – capital assets to increase fund balance – total governmental to arrive at net assets – governmental activities</i>	\$ 13,737

Note 3 – Fund Balance Reporting & Governmental Fund Type Definitions

During fiscal year 2011, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which 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 implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

	General Fund	Non-Major Governmental Funds
Fund Balance, June 30, 2010, as previously reported	\$ 5,396,058	\$ 6,309
Reclassification of funds required by GASB Statement No. 54	27,368	(27,368)
Fund Balance, June 30, 2010, as restated	\$ 5,423,426	\$ (21,059)

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 4 – FUND BALANCES

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

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total
Nonspendable				
Inventory and Prepaids	\$ 18,373	\$ -	\$ 1,166	\$ 19,539
Restricted				
State Mandates	199,052	-	-	199,052
Capital Improvements	-	1,014,372	-	1,014,372
District Managed Activities	-	-	120,155	120,155
State Educational Grants	-	-	2,430	2,430
Federal Education Grants	-	-	7,130	7,130
Total Restricted	<u>199,052</u>	<u>1,014,372</u>	<u>129,715</u>	<u>1,343,139</u>
Committed				
Donated Funds	-	-	688	688
Assigned				
School Programs	21,115	-	-	21,115
Encumbrances	97,019	-	-	97,019
Total Assigned	<u>118,134</u>	<u>-</u>	<u>-</u>	<u>118,134</u>
Unassigned (Deficit)	<u>5,479,567</u>	<u>-</u>	<u>(189,793)</u>	<u>5,289,774</u>
Total Fund Balances	<u>\$ 5,815,126</u>	<u>\$ 1,014,372</u>	<u>\$ (58,224)</u>	<u>\$ 6,771,274</u>

Note 5 - Accountability

At June 30, 2011 the School District reported deficit fund balances in the following non-major governmental funds: food service (\$187,316); Title I grant (\$1,007); State Stabilization (\$175); Title II-A grant (\$70); miscellaneous federal grants (\$54); and EMIS (\$5). These deficits resulted from the accrual of various liabilities. The general fund provides operating transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur.

Note 6 - Budgetary Basis of Accounting

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ 391,700
Revenue Accruals	(89,505)
Expenditure Accruals	(3,935)
Encumbrances	(102,580)
Advances	(37,221)
Excess(deficit) of Funds Combined with General Fund for Reporting Purposes	<u>6,253</u>
Budget Basis	<u>\$ 164,712</u>

Note 7 - Deposits and Investments

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7 - Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

At fiscal year-end, the carrying value of the School District's cash deposits was \$6,898,980 and the bank balance was \$6,951,967. \$5,250,000 of the School District's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,701,967 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2010, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Clark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end.

The amount available as an advance at June 30, 2011, was \$419,962 in the general fund and \$36,438 in the permanent improvement capital projects fund.

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 8 - Property Taxes (Continued)

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
Agricultural/Residential and Other Real Estate	\$87,234,150	94.97%	\$92,728,210	94.97%
Public Utility	4,545,720	4.95%	4,908,320	5.03%
Tangible Personal Property	72,810	0.08%	0	0.00%
Total Assessed Value	<u>\$91,852,680</u>	<u>100.00%</u>	<u>\$97,636,530</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.83		\$41.83	

Note 9 - Income Tax

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue earned during fiscal year 2011 was \$884,080.

Note 10 - Receivables

Receivables at June 30, 2011, consisted of property taxes, income tax, accounts (rent and tuition), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Non-Major Funds:	
Title I	33,084
IDEA VI-B	22,188
Totals	<u>\$55,272</u>

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 11 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<i>Capital Assets, not depreciated</i>				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in Progress	151,951	-	151,951	-
Subtotal	162,951	-	151,951	11,000
<i>Capital Assets, being depreciated</i>				
Land Improvements	1,007,670	-	-	1,007,670
Buildings and Improvements	7,117,783	436,717	-	7,554,500
Furniture and Equipment	897,661	35,380	1,620	931,421
Vehicles	982,633	-	-	982,633
Total at Historical Cost	10,168,698	472,097	153,571	10,487,224
Less: Accumulated Depreciation	(6,108,812)	(306,409)	(1,620)	(6,413,601)
Capital Assets, Net	<u>\$ 4,059,886</u>	<u>\$ 165,688</u>	<u>\$ 151,951</u>	<u>\$ 4,073,623</u>

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

Instruction:	
Regular	\$ 170,971
Special	29,687
Vocational	3,183
Support Services:	
Pupil	3,449
Instructional Staff	463
Administration	4,958
Fiscal	388
Operation and Maintenance of Plant	9,440
Pupil Transportation	64,469
Central	8,682
Non-Instructional Services	2,341
Extracurricular	8,378
Total Depreciation Expense	<u>\$ 306,409</u>

Note 12 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the School District contracted with Arthur J. Gallagher & Co. for property and fleet, general liability, crime, and inland marine insurance.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 12 - Risk Management (Continued)

Insurance coverage provided is as follows:

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

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

Workers' Compensation

For fiscal year 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc. provides administrative, cost control and actuarial services to the GRP.

Note 13 - Defined Benefit Pension Plans

School Employees Retirement System

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 13 - Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$182,040, \$136,369 and \$93,784 respectively; equal to the required contributions for each of the years noted.

State Teachers Retirement System

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

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

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 13 - Defined Benefit Pension Plans (Continued)

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$486,108, \$434,594 and \$421,616 respectively; equal to the required contributions for each of the years noted.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, one members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

Note 14 - Post-employment Benefits

School Employees Retirement System

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

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 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 health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$18,594, \$21,037 and \$63,148, respectively; equal to the required contribution for each of the years noted.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was .76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$8,238, \$9,035 and \$7,738, respectively; equal to the required contribution for each of the years noted.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 14 - Post-employment Benefits (Continued)

State Teachers Retirement System

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

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010 (latest information available), STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for Health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$34,722, \$33,430 and \$32,432, respectively; equal to the required contributions for each of the years noted.

Note 15 - Other Employee Benefits

Compensated Absences

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

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

Health Care Benefits

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

Life Insurance

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 16 - Capitalized Leases - Lessee Disclosure

In prior years, the School District entered into a capital lease for copiers. This lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. At June 30, 2011 \$100,675 of equipment has been capitalized in the statement of net assets for governmental activities, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments made on lease obligations during the year totaled \$19,983.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Governmental Activities
2012	23,076
2013	23,076
2014	1,914
Total minimum lease payments	48,066
Less: amount representing interest	(2,741)
Present value of minimum lease payments	\$ 45,325

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

Year	Principal	Interest	Total
2012	21,014	2,062	23,076
2013	22,406	670	23,076
2014	1,905	9	1,914
Total	\$ 45,325	\$ 2,741	\$ 48,066

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 17 – Changes in Long-Term Liabilities

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/2010	Additions	Reductions	Amount Outstanding 6/30/2011	Due within one year
Notes Payable:					
HB 264	\$ 333,696	\$ -	\$ 33,624	\$ 300,072	\$ 35,432
Bonds Payable:					
School Bus	97,479	-	46,193	51,286	47,387
School Construction	918,000	-	58,000	860,000	51,000
Capital Lease	65,308	-	19,983	45,325	21,014
Compensated Absences	<u>394,662</u>	<u>124,604</u>	<u>59,200</u>	<u>460,066</u>	<u>69,010</u>
Long-Term Obligations	<u>\$ 1,809,145</u>	<u>\$ 124,604</u>	<u>\$ 217,000</u>	<u>\$ 1,716,749</u>	<u>\$ 223,843</u>

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

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

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

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 17 – Changes in Long-Term Liabilities (Continued)

Principal and interest requirements to retire the School District's outstanding long-term debt obligations at June 30, 2011, were:

Year	Bonds Payable		Long-Term Notes		Total
	Principal	Interest	Principal	Interest	
2012	98,387	59,251	35,432	14,914	207,984
2013	56,009	54,819	37,338	13,009	161,175
2014	53,000	51,135	39,346	11,001	154,482
2015	54,000	47,390	41,462	8,884	151,736
2016	55,000	43,575	43,692	6,655	148,922
2017-2021	285,000	159,075	102,802	6,587	553,464
2022-2026	309,890	54,950	-	-	364,840
Total	<u>\$ 911,286</u>	<u>\$ 470,195</u>	<u>\$ 300,072</u>	<u>\$ 61,050</u>	<u>\$ 1,742,603</u>

The School District's overall legal debt margin was \$7,876,002, the unvoted debt margin was \$97,637 and energy conservation debt margin of \$578,657 at June 30, 2011.

Note 18 – Interfund Transactions

Interfund balances at June 30, 2011, consist of the following individual receivables as reported in the governmental fund balance sheet, such amounts are removed from the statement of net assets:

	Interfund	
	Receivable	Payable
General Fund	\$ 155,415	\$ 0
Non-major Funds		
Special Revenue	0	155,415
Total All Funds	<u>\$ 155,415</u>	<u>\$ 155,415</u>

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

Note 19 - Jointly Governed Organizations

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Note 19 - Jointly Governed Organizations (Continued)

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

The Southeastern Local School District does not pay any dues since the Clark County Educational Service Center represents the School District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. The School District made no financial contributions to the Council during fiscal year 2011. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield-Clark County Career Technology Center - The Springfield-Clark County Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District. The School District made no financial contributions to the JVS during fiscal year 2011. To obtain financial information, write to the CTC, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark and Greene Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of one representative from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$27,313 for services provided during the year. Financial information can be obtained from Gary Bosserman, Director of MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2011, the School District made no payments to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 20 - Insurance Purchasing Pool

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

Note 21 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

Note 22 - Set-Aside Calculations and Fund Reserves

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

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Reserve Balance as of June 30, 2010	\$164,708	(\$522,698)	\$19,052	(\$338,938)
Current Year Set-aside Requirement	137,318	137,318	0	274,636
Current Year Offsets	0	(204,089)	0	(204,089)
Qualifying Disbursements	(122,026)	(9,141)	0	(131,167)
Totals	<u>180,000</u>	<u>(598,610)</u>	<u>19,052</u>	<u>(399,558)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>180,000</u>	<u>(598,610)</u>	<u>19,052</u>	<u>(399,558)</u>
Sub-total Restricted Assets	<u>180,000</u>	<u>\$0</u>	<u>\$19,052</u>	<u>199,052</u>
School Bus Purchase Allowance				0
Total Restricted Assets as of June 30, 2011				<u>\$199,052</u>

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

**Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 23 - COMMITMENTS

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 102,580
Permanent Improvement Fund	21,329
Non-major Governmental Funds	<u>3,904</u>
	<u>\$ 127,813</u>

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SOUTHEASTERN LOCAL SCHOOL DISTRICT



Single Audit Reports

June 30, 2011

SOUTHEASTERN LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
National School Lunch Program	3L60	10.555	65,983	1,260	65,983	1,260
Total Nutrition Cluster			<u>65,983</u>	<u>1,260</u>	<u>65,983</u>	<u>1,260</u>
Total U.S. Department of Agriculture			<u>65,983</u>	<u>1,260</u>	<u>65,983</u>	<u>1,260</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	132,643	0	132,433	0
Total Special Education Cluster			<u>132,643</u>	<u>0</u>	<u>132,433</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	226,548	0	227,001	0
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	709	0	709	0
Total Title I Cluster			<u>227,257</u>	<u>0</u>	<u>227,710</u>	<u>0</u>
Education Technology State Grants Cluster						
Title II - D Technology	3S20	84.318	823	0	823	0
Total Education Technology State Grants Cluster			<u>823</u>	<u>0</u>	<u>823</u>	<u>0</u>
Improving Teacher Quality	3Y60	84.367	28,822	0	28,822	0
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	259,568	0	228,594	0
Total Department of Education			<u>649,113</u>	<u>0</u>	<u>618,382</u>	<u>0</u>
Total Federal Assistance			<u>\$715,096</u>	<u>\$1,260</u>	<u>\$684,365</u>	<u>\$1,260</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

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

To the Board of Education
Southeastern Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeastern Local School District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2011 wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. See Finding 2011-001. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 19, 2011.

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

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 19, 2011

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

To the Board of Education
Southeastern Local School District

Compliance

We have audited the Southeastern Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011, which contained an unqualified opinion on those financial statements wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 3. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 19, 2011

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

Section I – Summary of Auditor’s Results

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified	
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No	
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	Yes	
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No	
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No	
<i>(d)(1)(iv)</i>	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No	
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified	
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No	
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	State Fiscal Stabilization Fund - ARRA Title I Cluster: Title I Title I - ARRA	CFDA# 84.394 CFDA# 84.010 CFDA# 84.389
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others	
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No	

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

2011–001 Finding Type —Significant Deficiency – Segregation of Duties

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

Recommendation:

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

Management Response:

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

Section III – Federal Award Findings and Questioned Costs

None

**SOUTHEASTERN LOCAL SCHOOL DISTRICT
JUNE 30, 2011**

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

<u>Finding Number</u>	<u>Finding Summary / Explanation</u>	<u>Status</u>	<u>Explanation</u>
2010-001	Segregation of duties - there is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction.	Not Corrected	The District has not increased the number of staff available to segregate related duties.

SOUTHEASTERN LOCAL SCHOOL DISTRICT



Agreed Upon Procedures Report

June 30, 2011

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

To the Board of Education
Southeastern Local School District

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

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

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 19, 2011



Dave Yost • Auditor of State

SOUTHEASTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 7, 2012**