



OHIO AUDITOR OF STATE  
**KEITH FABER**





**SOUTHEAST LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
JUNE 30, 2021**

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**SOUTHEAST LOCAL SCHOOL DISTRICT  
WAYNE COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Southeast Local School District  
Wayne County  
9048 Dover Road  
Apple Creek, Ohio 44606

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Local School District, Wayne County, Ohio (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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Efficient • Effective • Transparent

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in cash financial position and the respective budgetary comparison for the General and Schoolwide Building Program Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

Also, as discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

***Other Information***

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 23, 2022

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**Southeast Local School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*

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The discussion and analysis of the Southeast Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2021 are as follows:

- q In total, net position increased \$4,696,703, which represents a 26 percent increase from 2020.
- q General receipts accounted for \$19,952,465 in revenue or 77 percent of total receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$5,794,819 or 23 percent.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2021, the general fund and the schoolwide building program fund are the School District's most significant funds.

***Basis of Accounting***

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Southeast Local School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*

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***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The statement of net position and the statement of activities answer this question.

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

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

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the schoolwide building program fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

**Southeast Local School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2021 compared to 2020.

**(Table 1)**  
**Net Position – Cash Basis**

	Governmental Activities		
	2021	Restated 2020	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 21,876,648	\$ 16,661,118	\$ 5,215,530
Cash and Cash Equivalents with Fiscal Agents	1,012,546	1,531,373	(518,827)
<i>Total Assets</i>	<u>\$ 22,889,194</u>	<u>\$ 18,192,491</u>	<u>\$ 4,696,703</u>
<b>Net Position</b>			
Restricted for:			
Capital Outlay	\$ 954,286	\$ 484,051	\$ 470,235
Other Purposes	985,831	390,268	595,563
Unrestricted	<u>20,949,077</u>	<u>17,318,172</u>	<u>3,630,905</u>
<i>Total Net Position</i>	<u>\$ 22,889,194</u>	<u>\$ 18,192,491</u>	<u>\$ 4,696,703</u>

A portion of the School District's net position, \$1,940,117, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position may be used to meet the School District's ongoing obligations.

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**Southeast Local School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*

Table 2 shows the changes in net position for fiscal year 2021 as compared to fiscal year 2020.

**(Table 2)**  
**Changes in Net Position – Cash Basis**

	Governmental Activities		
	2021	2020	Change
<b>Receipts</b>			
<b>Program Receipts</b>			
Charges for Services and Sales	\$ 1,503,495	\$ 1,701,386	\$ (197,891)
Operating Grants, Contributions and Interest	4,291,125	2,684,672	1,606,453
Capital Grants, Contributions and Interest	199	1,072	(873)
<i>Total Program Receipts</i>	<u>5,794,819</u>	<u>4,387,130</u>	<u>1,407,689</u>
<b>General Receipts</b>			
Property Taxes	13,632,726	12,941,935	690,791
Grants and Entitlements not Restricted to Specific Programs	5,932,674	5,860,344	72,330
Proceeds from Sale of Assets	1,530	-	1,530
Investment Earnings	37,055	263,208	(226,153)
Miscellaneous	348,480	226,884	121,596
<i>Total General Receipts</i>	<u>19,952,465</u>	<u>19,292,371</u>	<u>660,094</u>
<i>Total Receipts</i>	<u>25,747,284</u>	<u>23,679,501</u>	<u>2,067,783</u>
<b>Program Disbursements</b>			
Instruction:			
Regular	8,767,798	7,901,396	866,402
Special	2,529,084	2,513,816	15,268
Vocational	216,452	209,056	7,396
Other	1,040,688	998,272	42,416
Support Services:			
Pupils	1,003,745	1,247,985	(244,240)
Instructional Staff	566,370	473,752	92,618
Board of Education	43,710	38,479	5,231
Administration	1,765,248	1,735,708	29,540
Fiscal	467,815	443,856	23,959
Operation and Maintenance of Plant	1,679,519	1,551,204	128,315
Pupil Transportation	1,546,599	1,465,679	80,920
Central	11,038	10,683	355
Operation of Non-Instructional Services:			
Food Service Operations	627,775	540,759	87,016
Community Services	381,816	279,465	102,351
Extracurricular Activities	402,924	451,475	(48,551)
Capital Outlay	-	434,256	(434,256)
<i>Total Program Disbursements</i>	<u>21,050,581</u>	<u>20,295,841</u>	<u>754,740</u>
<i>Change in Net Position</i>	4,696,703	3,383,660	1,313,043
<i>Net Position Beginning of Year</i>	18,192,491	14,789,299	3,403,192
<i>Restatement, See Note 2</i>	-	19,532	(19,532)
<i>Net Position End of Year</i>	<u>\$ 22,889,194</u>	<u>\$ 18,192,491</u>	<u>\$ 4,696,703</u>

**Southeast Local School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*

Operating grants increased primarily due to grant funding received for COVID-19 relief. The increase in property taxes is due to an increase in assessed property values.

The increase in regular instruction is primarily due to the School District employing additional staff to ensure proper social distancing for in-class learning resulting from the COVID-19 pandemic. Capital outlay expense decreased due to the replacement of the high school's roof in the prior year.

**Governmental Activities**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2021	2020	2021	2020
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 8,767,798	\$ 7,901,396	\$ 5,740,398	\$ 5,625,145
Special	2,529,084	2,513,816	1,695,749	1,755,380
Vocational	216,452	209,056	197,406	190,010
Other	1,040,688	998,272	1,040,688	998,272
Support Services:				
Pupils	1,003,745	1,247,985	391,626	667,192
Instructional Staff	566,370	473,752	555,067	472,076
Board of Education	43,710	38,479	43,710	38,479
Administration	1,765,248	1,735,708	1,639,604	1,638,048
Fiscal	467,815	443,856	467,792	443,825
Operation and Maintenance of Plant	1,679,519	1,551,204	1,522,229	1,550,822
Pupil Transportation	1,546,599	1,465,679	1,496,073	1,441,616
Central	11,038	10,683	11,038	10,683
Operation of Non-Instructional Services:				
Food Service Operations	627,775	540,759	(98,399)	100,391
Community Services	381,816	279,465	209,277	164,970
Extracurricular Activities	402,924	451,475	343,504	377,546
Capital Outlay	-	434,256	-	434,256
<b><i>Total</i></b>	<b><u>\$ 21,050,581</u></b>	<b><u>\$ 20,295,841</u></b>	<b><u>\$ 15,255,762</u></b>	<b><u>\$ 15,908,711</u></b>

Table 3 was not updated for the restatement caused by the implementation of GASB 84. Differences are anticipated to be immaterial for analysis purposes.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program receipts only account for 28 percent of all governmental disbursements. The community is the largest area of support for the School District students.

**Southeast Local School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*

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***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$21,858,570, which is higher than the prior year restated balance of \$16,645,294 as described below.

The general fund's fund balance increased \$4,135,784 in fiscal year 2021. The increase in fund balance is due to receipts continuing to outpace disbursements.

The schoolwide building program fund balance decreased by \$84,618 primarily due to the timing of receipts for grant draws requested by the School District.

***General Fund Budgeting Highlights***

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

***Original Budget Compared to Final Budget*** During the course of fiscal year 2021, the School District reduced its general fund budget for estimated receipts and other financing sources due to decreased estimates in foundation and other state funding as a result of the COVID-19 pandemic. The School District did not make any significant changes to estimated disbursements and other financing uses.

***Final Budget Compared to Actual Results*** For fiscal year 2021, there were no significant differences between final budgeted receipts and other financing sources and actual receipts and financing sources. However, due to conservative spending and disbursements being fully appropriated, actual disbursements and other financing uses were less than final budgeted disbursements and other financing sources.

***Current Issues***

The Board of Education and administration closely monitor its receipts and disbursements in accordance with its financial forecast. The financial future of the School District is not without its challenges though. The Administration closely monitors staffing levels to maintain financial stability. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the School District is quite strong. The Rover pipeline goes through the District. This caused an increase in tax collection in fiscal year 2019 and fiscal year 2020. The long-term impact has not been determined. The District will also need to monitor its enrollment closely to stay on top of its enrollment trends.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures has impacted the current period and will continue to impact subsequent periods of the School District. Due to the coronavirus, the State of Ohio has reduced funding to school districts which will also need to be reviewed.

**Southeast Local School District**  
**Wayne County, Ohio**  
**(Unaudited)**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*

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Due to COVID-19, the State of Ohio has reduced funding to school districts which resulted in a budget cut of \$311,528 for the School District. The State reinstated \$170,853 of the cuts in January 2021. The District was able to hold in school classes for all of 2020-2021 school year. The District offered an online option and approximately 15% of the students enrolled in this option. The District will continue to monitor staffing levels.

In conclusion, the School District's system of budgeting and internal controls is well regarded and will be needed to meet the challenges of the future.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark Dickerhoof, Treasurer of Southeast Local School District, 9048 Dover Road, Apple Creek, Ohio 44606.

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**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2021*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 21,876,648
Cash and Cash Equivalents with Fiscal Agents	<u>1,012,546</u>
<i>Total Assets</i>	<u>22,889,194</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	954,286
Other Purposes	985,831
Unrestricted	<u>20,949,077</u>
<i>Total Net Position</i>	<u><u>\$ 22,889,194</u></u>

See accompanying notes to the basic financial statements.



**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2021*

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Receipts and Changes in Net Position
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 8,767,798	\$ 1,226,342	\$ 1,801,058	\$ -	\$ (5,740,398)
Special	2,529,084	147,446	685,889	-	(1,695,749)
Vocational	216,452	-	19,046	-	(197,406)
Other	1,040,688	-	-	-	(1,040,688)
Support Services:					
Pupils	1,003,745	38,755	573,364	-	(391,626)
Instructional Staff	566,370	-	11,303	-	(555,067)
Board of Education	43,710	-	-	-	(43,710)
Administration	1,765,248	-	125,644	-	(1,639,604)
Fiscal	467,815	-	-	23	(467,792)
Operation and Maintenance of Plant	1,679,519	-	157,264	26	(1,522,229)
Pupil Transportation	1,546,599	-	50,376	150	(1,496,073)
Central	11,038	-	-	-	(11,038)
Operation of Non-Instructional Services:					
Food Service Operations	627,775	37,061	689,113	-	98,399
Community Services	381,816	-	172,539	-	(209,277)
Extracurricular Activities	402,924	53,891	5,529	-	(343,504)
<b>Totals</b>	<u>\$ 21,050,581</u>	<u>\$ 1,503,495</u>	<u>\$ 4,291,125</u>	<u>\$ 199</u>	<u>(15,255,762)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
					13,131,265
General Purposes					501,461
Capital Outlay					5,932,674
Grants and Entitlements not Restricted to Specific Programs					1,530
Proceeds from Sale of Assets					37,055
Investment Earnings					348,480
Miscellaneous					<u>348,480</u>
<i>Total General Receipts</i>					<u>19,952,465</u>
<i>Change in Net Position</i>					4,696,703
<i>Net Position Beginning of Year - Restated, See Note 2</i>					<u>18,192,491</u>
<i>Net Position End of Year</i>					<u>\$ 22,889,194</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*

	General	Schoolwide Building Program	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 19,920,225	\$ 56,775	\$ 1,881,570	\$ 21,858,570
<b>Fund Balances</b>				
Nonspendable	\$ 536	\$ -	\$ -	\$ 536
Restricted	-	56,775	1,882,806	1,939,581
Assigned	264,749	-	-	264,749
Unassigned	19,654,940	-	(1,236)	19,653,704
<i>Total Fund Balances</i>	<u>\$ 19,920,225</u>	<u>\$ 56,775</u>	<u>\$ 1,881,570</u>	<u>\$ 21,858,570</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities - Cash Basis*  
*June 30, 2021*

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<b>Total Governmental Fund Balances</b>	\$ 21,858,570
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*Amounts reported for governmental activities in the  
statement of net position are different because:*

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

1,030,624

*Net Position of Governmental Activities*

\$ 22,889,194

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2021*

	General	Schoolwide Building Program	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 13,131,265	\$ -	\$ 501,461	\$ 13,632,726
Intergovernmental	6,306,511	1,388,156	2,519,726	10,214,393
Investment Income	27,162	-	229	27,391
Tuition and Fees	1,359,797	-	-	1,359,797
Extracurricular Activities	39,395	-	53,891	93,286
Gifts and Donations	3,855	-	5,521	9,376
Charges for Services	5,811	-	37,061	42,872
Rent	7,540	-	-	7,540
Miscellaneous	290,657	-	57,823	348,480
<i>Total Receipts</i>	<u>21,171,993</u>	<u>1,388,156</u>	<u>3,175,712</u>	<u>25,735,861</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,854,313	3,963,281	707,656	8,525,250
Special	1,272,992	1,141,814	39,695	2,454,501
Vocational	212,625	-	-	212,625
Other	1,040,688	-	-	1,040,688
Support Services:				
Pupils	682,363	166,234	133,404	982,001
Instructional Staff	545,095	3,823	9,909	558,827
Board of Education	43,710	-	-	43,710
Administration	1,179,355	527,028	-	1,706,383
Fiscal	455,503	-	8,485	463,988
Operation and Maintenance of Plant	1,485,069	-	162,149	1,647,218
Pupil Transportation	1,397,536	-	79,729	1,477,265
Central	10,625	-	-	10,625
Extracurricular Activities	281,100	-	121,824	402,924
Operation of Non-Instructional Services:				
Food Service Operations	-	-	620,121	620,121
Community Services	181,765	20,594	175,630	377,989
<i>Total Disbursements</i>	<u>12,642,739</u>	<u>5,822,774</u>	<u>2,058,602</u>	<u>20,524,115</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,529,254</u>	<u>(4,434,618)</u>	<u>1,117,110</u>	<u>5,211,746</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	1,530	-	-	1,530
Transfers In	-	4,350,000	45,000	4,395,000
Transfers Out	(4,395,000)	-	-	(4,395,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(4,393,470)</u>	<u>4,350,000</u>	<u>45,000</u>	<u>1,530</u>
<i>Net Change in Fund Balances</i>	4,135,784	(84,618)	1,162,110	5,213,276
<i>Fund Balances Beginning of Year - Restated, See Note 2</i>	<u>15,784,441</u>	<u>141,393</u>	<u>719,460</u>	<u>16,645,294</u>
<i>Fund Balances End of Year</i>	<u>\$ 19,920,225</u>	<u>\$ 56,775</u>	<u>\$ 1,881,570</u>	<u>\$ 21,858,570</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**

**Wayne County, Ohio**

*Reconciliation of the Statement of Receipts, Disbursements and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2021*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 5,213,276
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*Amounts reported for governmental activities in the  
statement of activities are different because:*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).	<u>(516,573)</u>
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<i>Change in Net Position of Governmental Activities</i>	<u>\$ 4,696,703</u>
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See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2021*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 23,796,710	\$ 21,122,926	\$ 21,114,143	\$ (8,783)
Disbursements and Other Financing Uses	<u>18,453,392</u>	<u>18,421,239</u>	<u>17,186,326</u>	<u>1,234,913</u>
Net Change in Fund Balance	5,343,318	2,701,687	3,927,817	1,226,130
<i>Fund Balance Beginning of Year</i>	15,023,733	15,023,733	15,023,733	-
Prior Year Encumbrances Appropriated	<u>703,392</u>	<u>703,392</u>	<u>703,392</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 21,070,443</u>	<u>\$ 18,428,812</u>	<u>\$ 19,654,942</u>	<u>\$ 1,226,130</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes in*  
*Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*Schoolwide Building Program Fund*  
*For the Fiscal Year Ended June 30, 2021*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 5,340,000	\$ 6,102,671	\$ 5,738,156	\$ (364,515)
Disbursements and Other Financing Uses	<u>4,339,989</u>	<u>6,257,877</u>	<u>5,828,354</u>	<u>429,523</u>
Net Change in Fund Balance	1,000,011	(155,206)	(90,198)	65,008
<i>Fund Balance Beginning of Year</i>	138,401	138,401	138,401	-
Prior Year Encumbrances Appropriated	<u>2,989</u>	<u>2,989</u>	<u>2,989</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,141,401</u>	<u>\$ (13,816)</u>	<u>\$ 51,192</u>	<u>\$ 65,008</u>

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*June 30, 2021*

	Governmental Activities
	Internal Service Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 18,078
Cash and Cash Equivalents with Fiscal Agents	1,012,546
<i>Total Assets</i>	1,030,624
 <b>Net Position</b>	
Unrestricted	1,030,624
<i>Total Net Position</i>	\$ 1,030,624

See accompanying notes to the basic financial statements.



**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2021*

	Governmental Activities - Internal Service Fund
<b>Operating Receipts</b>	
Charges for Services	\$ 3,152,322
Other Operating Receipts	254,103
<i>Total Operating Receipts</i>	3,406,425
<b>Operating Disbursements</b>	
Purchased Services	689,492
Claims	3,243,399
<i>Total Operating Disbursements</i>	3,932,891
<i>Operating Loss</i>	(526,466)
<b>Non-Operating Receipts</b>	
Interest	9,893
<i>Change in Net Position</i>	(516,573)
<i>Net Position Beginning of Year</i>	1,547,197
<i>Net Position End of Year</i>	\$ 1,030,624

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2021*

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	<u>Custodial</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ -
<b>Net Position</b>	
Restricted for Individuals, Organizations and Other Governments	\$ -

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2021*

	Custodial
<b>Additions</b>	
Extracurricular Amounts Collected for Other Governments	\$ 3,743
<b>Deductions</b>	
Extracurricular Distributions to Other Governments	3,901
<i>Change in Net Position</i>	(158)
<i>Net Position Beginning of Year - Restated, See Note 2</i>	158
<i>Net Position End of Year</i>	\$ -

See accompanying notes to the basic financial statements.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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

The Southeast Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a five-member Board of Education (the Board) elected by its citizens and is responsible for the provision of public education to residents of the School District. The board oversees the operations of the School District’s instructional and support facilities.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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 Southeast 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 organization for which the School District authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District. Based upon the application of these criteria, the School District has no component units.

The School District is associated with two jointly governed organizations, the Wayne County Career Center and the Tri-County Computer Service Association (TCCSA). These organizations are presented in Note 12 to the basic financial statements.

The School District’s management believes these financial statements present all activities for which the School District is financially accountable.

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

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***A. Basis of Accounting***

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and government-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include required disclosures of material matters, in accordance with the basis of accounting described in the preceding paragraph.

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid “doubling up” receipts and disbursements.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***B. Fund Accounting***

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

***Governmental Funds*** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

***Schoolwide Building Program Fund*** The schoolwide building program fund is used for the pooling of Federal, State and local funds to be used to upgrade the overall instructional program of a school building where at least 40 percent of the children are from low-income families.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed internally or externally.

***Proprietary Funds*** The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The School District's only proprietary fund is the internal service fund:

***Internal Service Fund*** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The internal service funds of the School District account for self-insurance programs which provide dental and health benefits to employees.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's fiduciary fund is a custodial fund. The custodial fund is used to account for assets held by the School District for OHSAA athletic tournaments.

***C. Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***D. Budgetary Process***

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

***E. Cash and Investments***

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." The School District participates in the Jefferson Health Plan, an insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected in the basic financial statements as "Cash and Cash Equivalents with Fiscal Agent."

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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During fiscal year 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2021 were \$27,162, which includes \$1,586 assigned from other School District funds.

***F. Inventory and Prepaid Items***

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

***G. Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying basic financial statements.

***H. Interfund Receivables/Payables***

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying basic financial statements.

***I. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

***J. Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.



**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***K. Long-Term Obligations***

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither any other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid. For fiscal year 2021, the School District did not report any activity for long-term obligations.

***L. Net Position***

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for Federal and State grants restricted to disbursements for specific purposes and food services.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

***M. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School 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 are 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. It also includes the long-term amount of interfund loans.

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

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

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***N. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

***O. Pensions and OPEB***

For purposes of measuring the net pension and net other postemployment benefits (OPEB) assets/liabilities, information about the fiduciary net position of the retirement plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, pension and health care benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the terms of the plan. The retirement systems report investments at fair value.

***P. Implementation of New Accounting Principles and Restatement of Net Position/Fund Balances***

***Implementation of New Accounting Principles***

For the fiscal year ended June 30, 2021, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, GASB No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*, and certain provisions of GASB Statement No. Statement No. 93, *Replacement of Interbank Offered Rates*.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District reviewed its funds for proper classification, and any fund reclassifications resulted in the restatement of the School District's financial statements (see below).

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of certain provisions (all except for paragraphs 13 and 14, which are effective for fiscal years beginning after June 15, 2021), of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

***Restatement of Net Position/Fund Balances***

The implementation of GASB 84 had the following effect on net position as reported June 30, 2021:

	Governmental Activities
Net Position, June 30, 2020	\$ 18,172,959
GASB Statement No. 84	19,532
Restated Net Position, June 30, 2020	\$ 18,192,491

The implementation of GASB 84 had the following effect on fund balance as reported June 30, 2021:

	Other Governmental Funds
Fund Balance, June 30, 2020	\$ 699,928
GASB Statement No. 84	19,532
Restated Fund Balance, June 30, 2020	\$ 719,460

The implementation of GASB 84 had the following effect on fiduciary net position as reported June 30, 2021:

	Fiduciary Funds	
	Agency	Custodial
Net Position, June 30, 2020	\$ 19,690	\$ -
GASB Statement No. 84	(19,690)	158
Restated Net Position, June 30, 2020	\$ -	\$ 158

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

**NOTE 3 – COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2021, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (cash basis) presented for the general fund and the schoolwide building program fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund and the schoolwide building program fund are as follows:

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Schoolwide Building Program</u>
Cash Basis	\$ 4,135,784	\$ (84,618)
Funds budgeted elsewhere**	(12,200)	0
Adjustment for encumbrances	<u>(195,767)</u>	<u>(5,580)</u>
Budget Basis	<u>\$ 3,927,817</u>	<u>\$ (90,198)</u>

\*\*As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This includes the public school support fund.

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**NOTE 5 – DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, notes, bonds, or any other obligations 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 other obligations or securities issued by any federal government agency or instrumentality;
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 2 percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** At year-end, \$428,378 of the School District's bank balance of \$907,765 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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***Investments***

As of June 30, 2021 the School District had the following investment and maturity:

<u>Rating</u>	<u>Entity</u>	<u>Measurement Amount</u>	<u>Investment Maturities In Months (0-12)</u>	<u>Percentage of Total Investment</u>
	Net Asset Value (NAV):			
AAAm	STAR Ohio	\$ 21,414,452	\$ 21,414,452	100.00%

***Interest Rate Risk*** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District’s investment policy addresses interest rate risk by requiring that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

***Credit Risk*** STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2021, is 54 days.

***Funds Held by Fiscal Agent***

The School District participates in the Jefferson Health Plan for employee benefits. All benefit deposits are made to the consortium’s depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 21. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2019, were levied after April 1, 2020 and are collected in 2021 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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The School District receives property taxes from Holmes, Stark, and Wayne Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
	Real Estate	\$ 350,920,220	67.92%	\$ 390,839,250
Public Utility Personal Property	165,779,260	32.08%	154,352,610	28.31%
Total	\$ 516,699,480	100.00%	\$ 545,191,860	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 46.50		\$ 46.50	

**NOTE 7 – RISK MANAGEMENT**

***A. Comprehensive***

The School District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents -replacement cost -\$61,261,117 (\$1,000 deductible)

Automobile Liability -\$5,000,000 (\$500 -\$1,000 deductible)

Uninsured Motorists -\$1,000,000

General Liability -\$5,000,000 each per occurrence/\$7,000,000 aggregate

Settled claims have not exceeded this commercial coverage in the past three years nor has there been any significant reduction in coverage since the prior year.

***B. Workers' Compensation***

The School District participates in the Ohio School Board Association Workers' Compensation Program (GRP), an insurance rating pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. The GRP is intended to achieve the benefit of a reduced premium by virtue of its grouping and representation with other participants 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. The total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance



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of the GRP selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

***C. Employee Medical Benefits***

The School District has contract with Core Source to provide dental benefits under the Oasis Trust plan. The plan pays a schedule of benefits for the dental services provided to enrolled employees.

The School District has also contracted with the Jefferson Health Plan, a risk-sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The plan offers medical and prescription drug coverage on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

***Net Pension Liability/Net OPEB Liability (Asset)***

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding

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could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2021.

The School District’s contractually required contribution to SERS was \$433,248 for fiscal year 2021.

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***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly retirement benefit at age 50 and termination of employment. The member may elect to receive a lump-sum withdrawal.

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member’s DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS

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bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll effective July 1, 2016. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,140,456 for fiscal year 2021.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

*Net Pension Liability (1st table in pension note)*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06866840%	0.06518229%	
Prior Measurement Date	<u>0.06761900%</u>	<u>0.06510821%</u>	
Change in Proportionate Share	<u>0.00104940%</u>	<u>0.00007408%</u>	
Proportionate Share of the Net Pension Liability	\$ 4,541,873	\$ 15,771,795	\$ 20,313,668

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of

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each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2130.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the

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discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 6,221,811	\$ 4,541,873	\$ 3,132,372

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016.

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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table represents the School District's proportionate share of the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 22,456,290	\$ 15,771,795	\$ 10,107,242

**NOTE 9 - DEFINED BENEFIT OPEB PLANS**

The net OPEB liability (asset) is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

See Note 8 for a description of the net OPEB liability (asset).

**Southeast Local School District**  
**Wayne County, Ohio**  
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***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$41,993.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements were discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.



**Southeast Local School District**  
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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.07146100%	0.06518200%
Prior Measurement Date	0.06927200%	0.06510800%
Change in Proportionate Share	0.00218900%	0.00007400%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,553,088	\$ (1,145,572)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Inflation	3.00 percent
Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate	
Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.22 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	7.00 percent - 4.75 percent
Medicare	5.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
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**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase				
School District's Proportionate Share of the Net OPEB Liability	\$ 1,900,933	\$ 1,553,088	\$ 1,276,540				
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">1% Decrease</th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">Current Trend Rate</th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">1% Increase</th> </tr> </thead> </table>					1% Decrease	Current Trend Rate	1% Increase
	1% Decrease	Current Trend Rate	1% Increase				
School District's Proportionate Share of the Net OPEB Liability	\$ 1,222,933	\$ 1,553,088	\$ 1,994,574				

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 percent	4.00 percent

**Southeast Local School District**  
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Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	Target <u>Allocation</u>	Long-Term Expected <u>Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2020, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (996,723)	\$ (1,145,572)	\$ (1,271,866)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,264,027)	\$ (1,145,572)	\$ (1,001,278)

**NOTE 10 – INTERFUND TRANSFERS**

During fiscal year 2021, the general fund transferred \$45,000 and \$4,350,000 to the athletic fund and the school-wide building program fund, respectively. Transfers were used to move receipts in accordance with the school-wide building program and to provide additional resources for current operations.

**NOTE 11 – SET-ASIDE REQUIREMENTS**

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 acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

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

	<u>Capital Improvement Reserve</u>
Set-Aside Restricted Balance, June 30, 2020	\$ -
Current Year Set-Aside Requirement	242,154
Current Year Offset	<u>(537,975)</u>
Total	<u>\$ (295,821)</u>
Balance Carried Forward to Fiscal Year 2022	<u>\$ -</u>
Set-Aside Restricted Balance June 30, 2021	<u>\$ -</u>

Although the School District had current year offsets during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**NOTE 12– JOINTLY GOVERNED ORGANIZATIONS**

***A. Wayne County Career Center***

The Wayne County Career Center (the Career Center) is a separate body politic and corporate, established by the Ohio Revised Code. The Board of Education is comprised of representatives from the Board of each participating school district independent of the School District. The Board is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. Students from the School District may attend the Career Center for vocational training.

***B. Tri-County Computer Service Association***

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 23 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. The TCCSA council of governments consists of a superintendent or designated representative from each participating district. TCCSA is governed by an executive committee chosen from the general membership of the TCCSA council of governments. The executive committee consists of the chairman of each operating committee and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Executive Director at the TCCSA, located at 2125 Eagle Pass, Wooster, Ohio 44691. During the fiscal year ended June 30, 2021, the School District paid \$86,517 to TCCSA for basic service charges.

**NOTE 13 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2021.

***B. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

***C. Encumbrance Commitments***

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

**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

Fund	Amount
General	\$ 195,767
Schoolwide Building Program	5,580
Nonmajor Governmental	327,937
	\$ 529,285

***D. Contractual Commitments***

At June 30, 2021, the School District had the following outstanding contractual commitments:

	Contract Amount	Expenditures as of June 30, 2021	Amount Remaining on Contract
Cardinal Bus Sales	\$ 87,086	\$ -	\$ 87,086
Most Paving	20,600	-	20,600
Garland Roofing	176,185	-	176,185
	\$ 283,871	\$ -	\$ 283,871

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

***E. School District Funding***

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2021 are finalized and are immaterial to the financial statements.

**NOTE 14 – FUND BALANCE**

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 government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Southeast Local School District**  
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	<u>General</u>	<u>Schoolwide Building Program</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable for:				
Unclaimed Funds	\$ 536	\$ -	\$ -	\$ 536
Restricted for:				
Permanent Improvements	-	-	954,286	954,286
Food Service Operations	-	-	143,585	143,585
Special Trust	-	-	2,596	2,596
Extracurricular Activities	-	-	43,536	43,536
Auxiliary Services	-	-	23,801	23,801
Instructional Programs	-	56,775	623,987	680,762
Special Education	-	-	11,988	11,988
Data Communications	-	-	5,400	5,400
COVID Relief	-	-	19,862	19,862
Student Managed Activities	-	-	31,834	31,834
Entry Year Programs	-	-	800	800
Telecommunity	-	-	16,356	16,356
Other	-	-	4,775	4,775
Total Restricted	-	56,775	1,882,806	1,939,581
Assigned for:				
Instruction	40,724	-	-	40,724
Support Services	155,043	-	-	155,043
Public School Support	68,982	-	-	68,982
Total Assigned	264,749	-	-	264,749
Unassigned	19,654,940	-	(1,236) *	19,653,704
Total Fund Balances	<u>\$ 19,920,225</u>	<u>\$ 56,775</u>	<u>\$ 1,881,570</u>	<u>\$ 21,858,570</u>

\*Unassigned fund balance is due to deficit fund balances in the Title I fund.

**NOTE 15 – LEASES**

The School District entered into a non-cancellable lease during a prior fiscal year for three copier/printer machines. Lease payments will be made from the general fund. The School District disbursed \$61,474 to pay lease costs for the fiscal year ended June 30, 2021.

Future lease payments are as follows:



**Southeast Local School District**  
**Wayne County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

Fiscal Year Ending June 30,	Lease Amount
2022	\$ 61,476
2023	61,476
2024	61,476
2025	10,246
	\$ 194,674

**NOTE 16 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**NOTE 17 – SUBSEQUENT EVENT**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$389,203 in revenue and expenditures/expense related to these programs.

On September 30, 2021, the School District issued Certificates of Participation (COP) Bonds, Series 2021, in the amount of \$35,000,000 for the construction of a new school building. The COP Bonds will mature on December 1, 2027, carry interest rates of 3 percent to 4 percent, and will be paid from the building fund.

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**SOUTHEAST LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program/Cluster Title	Federal AL Number	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 52,595
Cash Assistance:		
School Breakfast Program	10.553	149,153
COVID-19 - School Breakfast Program		29,255
National School Lunch Program	10.555	348,623
COVID-19 - National School Lunch Program		63,975
Total Child Nutrition Cluster		<u>643,601</u>
Total U.S. Department of Agriculture		<u><b>643,601</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
COVID-19 - Education Stabilization Fund	84.425D	716,302
Special Education Cluster:		
Special Education - Grants to States	84.027A	360,781
Title VI-B IDEA Restoration	84.027A	8,951
Special Education - Preschool Grants	84.173A	9,618
Total Special Education Cluster		<u>379,350</u>
Title I Grants to Local Educational Agencies	84.010A	863,644
Improving Teacher Quality State Grants	84.367A	113,648
Student Support and Academic Enrichment Program	84.424A	72,568
English Language Acquisition State Grants	84.365A	30,743
Total U.S. Department of Education		<u><b>2,176,255</b></u>
<b>U.S. DEPARTMENT OF TREASURY</b>		
<i>Passed Through Ohio Department of Education</i>		
COVID-19 - Coronavirus Relief Fund	21.019	<u>120,554</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><b>\$ 2,940,410</b></u>

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

**SOUTHEAST LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southeast Local School District, Wayne County, (the School District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Southeast Local School District  
Wayne County  
9048 Dover Road  
Apple Creek, Ohio 44606

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District, Wayne County, (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 23, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

***School District's Response to Finding***

The School District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 23, 2022

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Southeast Local School District  
Wayne County  
9048 Dover Road  
Apple Creek, Ohio 44606

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

We have audited Southeast Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Southeast Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on each Major Federal Program***

In our opinion, Southeast Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2021.

***Report on Internal Control Over Compliance***

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 23, 2022



**SOUTHEAST LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster Education Stabilization Fund
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

**SOUTHEAST LOCAL SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2021  
(Continued)**

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

**FINDING NUMBER 2021-001**

**Noncompliance – Annual Financial Report**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:** See Corrective Action Plan.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None**

# Southeast Local School

9048 Dover Road, Apple Creek, OH 44606  
330-698-3001 / Fax 330-698-5000

## District

James Ritchie, Superintendent  
Mark Dickerhoof, Treasurer

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2021

#### *Waynedale High School*

9050 Dover Road  
Apple Creek, OH 44606  
PH 330-698-3071  
FAX: 330-698-1432

#### *John R. Lea Middle School*

9130 Dover Road  
Apple Creek, OH 44606  
PH 330-698-3151  
FAX: 330-698-1922

#### *Apple Creek Elementary*

173 West Main Street  
Apple Creek, OH 44606  
PH 330-698-3111  
FAX: 330-698-2922

#### *Fredericksburg Elementary*

160 West Clay Street  
P.O. Box 249  
Fredericksburg, OH 44627  
PH 330-695-2741  
FAX: 330-695-2116

#### *Holmesville Elementary*

8141 East Jackson Street  
P.O. Box 8  
Holmesville, OH 44633  
PH 330-279-2341  
FAX: 330-279-2023

#### *Mt. Eaton Elementary*

8746 Market Street  
P.O. Box 268  
Mt. Eaton, OH 44659  
PH 330-857-5313 / 359-5519  
FAX: 330-857-3703

Finding Number	Finding Summary	Status	Additional Information
2020-001	ORC 117.38 and OAC 117-2-03(b) – Filing GAAP Financial Statements (First issued in 2014)	Not Corrected	The District filed their financial statements on the OCBOA basis. See Finding 2021-001.

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# Southeast Local School

9048 Dover Road, Apple Creek, OH 44606  
330-698-3001 / Fax 330-698-5000

## District

James Ritchie, Superintendent  
Mark Dickerhoof, Treasurer

### *Waynedale High School*

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PH 330-698-3071  
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Apple Creek, OH 44606  
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FAX: 330-698-2922

### *Fredericksburg Elementary*

160 West Clay Street  
P.O. Box 249  
Fredericksburg, OH 44627  
PH 330-695-2741  
FAX: 330-695-2116

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8141 East Jackson Street  
P.O. Box 8  
Holmesville, OH 44633  
PH 330-279-2341  
FAX: 330-279-2023

### *Mt. Eaton Elementary*

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P.O. Box 268  
Mt. Eaton, OH 44659  
PH 330-857-5313 / 359-5519  
FAX: 330-857-3703

## CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2021

**Finding Number:**

2021-001

**Planned Corrective Action:**

The Southeast Local School District Board of Education takes pride in presenting data that is cost-effective to produce and easily understood by the reader. Every year the Board of Education passes a resolution to prepare cash basis financial statements. The Southeast Local School Board of Education recognizes the value in preparing timely and accurate financial statements to reflect the School District's operations as of fiscal year end. Due to the cost requirements of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year end statements on a cash basis of accounting will reflect the School District's financial position and allow for resources previously spent on GAAP to be allocated for educational purposes.

**Anticipated Completion Date:**

N/A

**Responsible Contact Person:**

Mark Dickerhoof, Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHEAST LOCAL SCHOOL DISTRICT**

**WAYNE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/12/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)