

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

REGULAR AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

OHIO AUDITOR OF STATE
KEITH FABER



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

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

We have reviewed the *Independent Auditor's Report* of Seneca East Local School District, Seneca County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 17, 2021

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

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Independent Auditor's Report

Seneca East Local School District
Seneca County
13343 U.S. 224
Attica, Ohio 44807

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Seneca East Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Seneca East Local 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 for the purpose of expressing an opinion on the effectiveness of the Seneca East Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District, Seneca County, Ohio, as of June 30, 2020, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 3 to the financial statements, in 2020, the Seneca East Local School District adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. As described in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Seneca East Local School District. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of the Seneca East Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Seneca East Local School District's 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 Seneca East Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 20, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The discussion and analysis of the Seneca East Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- Net position of governmental activities decreased \$787,775, which represents a 6.42% decrease from 2019's restated net position.
- General revenues accounted for \$10,264,093 in revenue or 79.01% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,727,334, or 20.99%, of total revenues of \$12,991,427.
- The District had \$13,779,202 in expenses related to governmental activities; \$2,727,334 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,264,093 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, the debt service fund, and the replacement fund. The general fund had \$10,793,253 in revenues and \$10,936,348 in expenditures and other financing uses. During fiscal year 2020, the general fund's fund balance decreased \$143,095 from a balance of \$4,140,682 to a balance of \$3,997,587.
- The District's debt service fund had \$750,884 in revenues and \$779,663 in expenditures. During fiscal year 2020, the debt service fund's fund balance decreased \$28,779 from a balance of \$1,009,520 to a balance of \$980,741.
- The District's replacement fund had \$230,913 in revenues and other financing sources. During fiscal year 2020, the replacement fund's fund balance increased \$230,913 from a balance of \$1,100,086 to a balance of \$1,330,999.

Using these Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3A.

	Net Position	
	Governmental Activities 2020	Restated Governmental Activities 2019
<u>Assets</u>		
Current and other assets	\$ 12,228,165	\$ 13,076,930
Net OPEB asset	684,787	649,401
Capital assets, net	<u>24,108,121</u>	<u>24,753,356</u>
Total assets	<u>37,021,073</u>	<u>38,479,687</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	572,465	615,400
Pension	2,299,239	2,939,046
OPEB	<u>204,257</u>	<u>138,740</u>
Total deferred outflows of resources	<u>3,075,961</u>	<u>3,693,186</u>
<u>Liabilities</u>		
Current liabilities	1,128,125	1,056,154
Long-term liabilities:		
Due within one year	556,618	552,486
Due in more than one year:		
Net pension liability	11,332,093	10,987,317
Net OPEB liability	938,794	1,040,387
Other amounts	<u>9,279,708</u>	<u>9,667,859</u>
Total liabilities	<u>23,235,338</u>	<u>23,304,203</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	3,756,993	4,822,006
Pensions	520,019	673,898
OPEB	<u>1,095,097</u>	<u>1,095,404</u>
Total deferred inflows of resources	<u>5,372,109</u>	<u>6,591,308</u>
<u>Net Position</u>		
Net investment in capital assets	16,342,110	16,889,724
Restricted	720,622	417,243
Unrestricted (deficit)	<u>(5,573,145)</u>	<u>(5,029,605)</u>
Total net position	<u>\$ 11,489,587</u>	<u>\$ 12,277,362</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

GASB standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$11,489,587. Of this total, \$720,622 is restricted in use.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 12 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail.

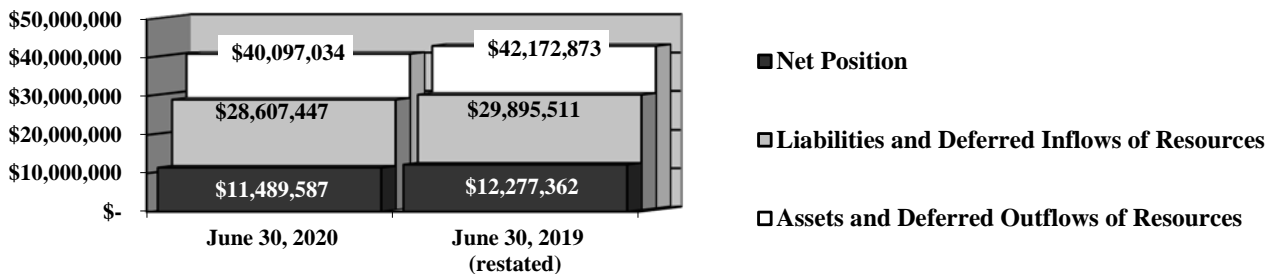
Long-term liabilities decreased primarily due to a decrease in the net OPEB liability. This liability is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District. In addition, the District paid down its debt obligations decreasing the liability.

At year-end, capital assets represented 65.12% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2020 was \$16,342,110. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$720,622, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$5,573,145.

The graph below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at June 30, 2020 and 2019.

Governmental Activities



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below shows the change in net position for fiscal years 2020 and 2019. Due to practicality, 2019 revenues and expenses in the table below have not been adjusted to reflect the implementation of GASB No. 84 (see Note 3). Rather, the cumulative impact of applying GASB No. 84 is reflected in the beginning net position for 2019.

	Change in Net Position	
	Governmental	Governmental
	Activities 2020	Activities 2019
	<u> </u>	<u> </u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,633,759	\$ 1,420,057
Operating grants and contributions	1,093,575	876,326
General revenues:		
Property taxes	4,102,781	3,712,832
School district income taxes	1,133,794	1,256,402
Grants and entitlements	4,928,697	5,094,255
Investment earnings	81,887	84,943
Other	<u>16,934</u>	<u>16,985</u>
Total revenues	<u>12,991,427</u>	<u>12,461,800</u>

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Change in Net Position (Continued)

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,274,028	\$ 5,028,051
Special	1,686,255	1,478,361
Vocational	229,736	178,977
Adult/continuing	20,300	4,800
Support services:		
Pupil	281,546	199,730
Instructional staff	179,457	143,600
Board of education	104,912	66,403
Administration	976,154	785,735
Fiscal	454,845	351,532
Business	7,881	4,411
Operations and maintenance	969,489	888,039
Pupil transportation	737,795	653,529
Central	236,129	243,077
Operations of non-instructional services:		
Other non-instructional services	99,832	29,054
Food service operations	421,686	412,900
Extracurricular activities	722,019	486,530
Interest and fiscal charges	<u>377,138</u>	<u>450,480</u>
Total expenses	<u>13,779,202</u>	<u>11,405,209</u>
Change in net position	(787,775)	1,056,591
Net position at beginning of year (restated)	<u>12,277,362</u>	<u>11,220,771</u>
Net position at end of year	<u>\$ 11,489,587</u>	<u>\$ 12,277,362</u>

Governmental Activities

Net position of the District's governmental activities decreased \$787,775. Total governmental expenses of \$13,779,202 were partially offset by program revenues of \$2,727,334 and general revenues of \$10,264,093 were not adequate to cover the remaining expenses. Program revenues supported 19.79% of the total governmental expenses.

Overall, expenses of the governmental activities increased \$2,373,993 or 20.81%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in a prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

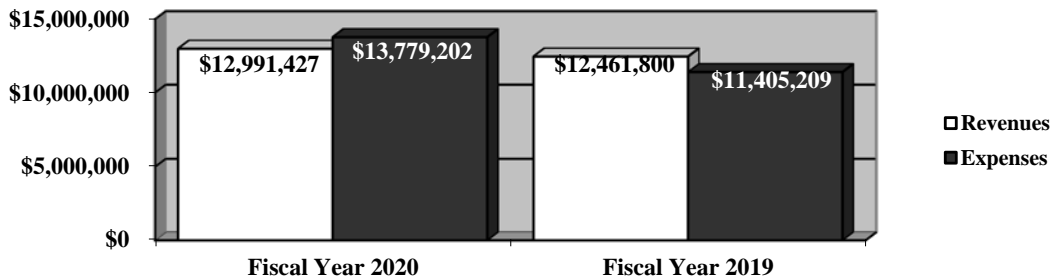
On an accrual basis, the District reported \$1,719,377 and \$1,034,687 in pension expense for fiscal year 2020 and 2019, respectively. In addition, the District reported (\$179,396) and (\$1,356,108) in OPEB expense for fiscal year 2020 and 2019, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was \$1,861,402. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

The primary sources of revenue for governmental activities in fiscal year 2020 are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 78.25% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,210,319 or 59.58% of total governmental expenses for fiscal year 2020.

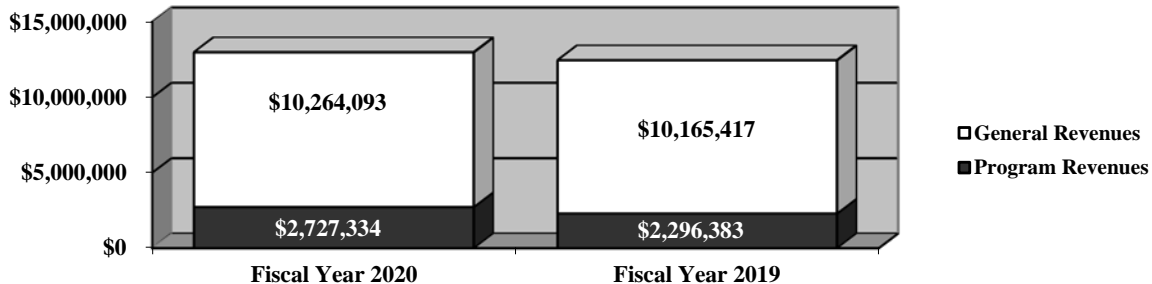
The graph below presents governmental activities revenues and expenses for fiscal year 2020 and 2019.

Governmental Activities - Revenues and Expenses



The graph below presents the District's governmental activities revenues for fiscal year 2020 and 2019.

Governmental Activities - General and Program Revenues



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Program expenses				
Instruction:				
Regular	\$ 6,274,028	\$ 5,252,326	\$ 5,028,051	\$ 4,097,454
Special	1,686,255	985,499	1,478,361	804,289
Vocational	229,736	180,792	178,977	130,033
Adult/continuing	20,300	(6,287)	4,800	2,983
Support services:				
Pupil	281,546	257,335	199,730	169,161
Instructional staff	179,457	179,457	143,600	143,600
Board of education	104,912	104,912	66,403	66,403
Administration	976,154	910,756	785,735	785,735
Fiscal	454,845	454,838	351,532	351,525
Business	7,881	7,881	4,411	4,411
Operations and maintenance	969,489	886,771	888,039	876,121
Pupil transportation	737,795	737,795	653,529	649,336
Central	236,129	221,285	243,077	237,677
Operations of non-instructional services				
Other non-instructional services	99,832	99,460	29,054	29,054
Food service operations	421,686	84,142	412,900	38,377
Extracurricular activities	722,019	317,768	486,530	272,187
Debt service:				
Interest and fiscal charges	377,138	377,138	450,480	450,480
Total expenses	<u>\$ 13,779,202</u>	<u>\$ 11,051,868</u>	<u>\$ 11,405,209</u>	<u>\$ 9,108,826</u>

The District's dependence upon taxes and other general revenues for governmental activities is apparent, as 78.10% of instruction activities are supported through such revenues. For all governmental activities, general revenue support is 80.21%. The District's taxpayers and grants and entitlements received from the state of Ohio, are the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The District's Funds

The District's governmental funds reported a combined fund balance of \$7,010,729, which is \$65,834 higher than last year's restated fund balance of \$6,944,895.

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019.

<u>Fund</u>	<u>Fund Balance June 30, 2020</u>	<u>Restated Fund Balance June 30, 2019</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 3,997,587	\$ 4,140,682	\$ (143,095)	(3.46) %
Debt service	980,741	1,009,520	(28,779)	(2.85) %
Replacement	1,330,999	1,100,086	230,913	20.99 %
Nonmajor governmental	701,402	694,607	6,795	0.98 %
Total	<u>\$ 7,010,729</u>	<u>\$ 6,944,895</u>	<u>\$ 65,834</u>	0.95 %

General Fund

The District's general fund revenues were 0.47% higher than in fiscal year 2019, while expenditures increased 4.14%, resulting in a decrease in the fund balance of the general fund of \$143,095.

The table that follows assists in illustrating the activities of the District's general fund during fiscal year 2020.

	<u>2020 Amount</u>	<u>2019 Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 4,461,896	\$ 4,317,403	\$ 144,493	3.35 %
Tuition	997,525	935,453	62,072	6.64 %
Earnings on investments	72,224	74,609	(2,385)	(3.20) %
Intergovernmental	5,189,319	5,341,404	(152,085)	(2.85) %
Other revenues	<u>72,289</u>	<u>74,151</u>	<u>(1,862)</u>	(2.51) %
Total	<u>\$ 10,793,253</u>	<u>\$ 10,743,020</u>	<u>\$ 50,233</u>	0.47 %
<u>Expenditures</u>				
Instruction	\$ 6,936,888	\$ 6,581,123	\$ 355,765	5.41 %
Support services	3,350,956	3,312,121	38,835	1.17 %
Non-instructional services	70,628	-	70,628	100.00 %
Extracurricular activities	<u>291,313</u>	<u>333,051</u>	<u>(41,738)</u>	(12.53) %
Total	<u>\$ 10,649,785</u>	<u>\$ 10,226,295</u>	<u>\$ 423,490</u>	4.14 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Total tax revenue (both property and income taxes) of the general fund increased 3.35% from the prior year. This increase resulted primarily from fluctuations in the amount of property taxes collected and available for advance at year-end. Property taxes are collected and distributed by Seneca and Huron Counties. Property taxes collected and available as advance are recognized as revenue in the year the District could draw on these advances rather than when cash is received. The amounts that were available as advance were \$159,730, \$101,656, and \$124,534 at June 30, 2020, 2019, and 2018, respectively. Actual general fund tax receipts (cash-basis) for fiscal year 2020 and 2019 were \$4,497,736 and \$4,303,777, respectively. Earnings on investments decreased due to a decrease in performance of the District's investments. All other revenue line items remained consistent with 2019.

Overall, expenditures increased \$423,490, or 4.14%, from 2019. Instruction expenditures increased \$355,765 primarily in the area of regular instruction due to increased benefit costs. Non-instructional expenditures increased due to the addition of a food service supervisor in May 2020. Extracurricular activities decreased \$41,738 due to decreased student participation and cancellation of events. All other expenditure line items remained consistent with 2019.

Debt Service Fund

The District's debt service fund had \$750,884 in revenues and \$779,663 in expenditures. During fiscal year 2020, the debt service fund's fund balance decreased \$28,779 from a balance of \$1,009,520 to a balance of \$980,741.

Replacement Fund

The District's replacement fund had \$230,913 in revenues and other financing sources. During fiscal year 2020, the replacement fund's fund balance increased \$230,913 from a balance of \$1,100,086 to a balance of \$1,330,999.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,700,952 and were increased to \$10,791,501 in the final budget. Actual revenues and other financing sources for fiscal year 2020 were \$10,790,088. This represents a decrease of \$1,413 from final budgeted revenues and other financing sources.

General fund original budgeted expenditures and other financing uses were \$10,636,466 and final budgeted expenditures and other financing uses were \$11,086,466. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$11,075,103, which were \$11,363 below budgeted appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$24,108,121 invested in land, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows the balances of the District's capital assets at June 30, 2020 compared to June 30, 2019.

Capital Assets at June 30, Net of Depreciation

	Governmental Activities	
	2020	2019
Land	\$ 20,972	\$ 20,972
Building and improvements	23,376,182	23,992,038
Furniture and equipment	514,456	484,637
Vehicles	196,511	255,709
Total	\$ 24,108,121	\$ 24,753,356

The overall decrease in capital assets of \$645,235 is due to depreciation expense of \$769,972 exceeding capital asset additions of \$124,737 during fiscal year 2020.

See Note 9 to the basic financial statements for more information pertaining to the District's capital assets.

Debt Administration

At June 30, 2020, the District had \$8,380,794 in general obligation bonds outstanding. Of this total, \$510,671 is due within one year and \$7,870,123 is due in greater than one year.

The following table summarizes the bonds and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2020	Governmental Activities 2019
General obligation bonds	\$ 8,380,794	\$ 8,761,310

See Note 10 to the basic financial statements for additional information regarding these transactions and the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Current Financial Related Activities

The Seneca East Local School District relies heavily upon property taxes, income taxes, and intergovernmental revenue from the State of Ohio to support its operations. These revenue sources represented 30.61%, 10.73%, and 48.08% of total general fund revenues, respectively, during fiscal year 2020. The District ended the year with a budgetary-basis unencumbered balance in the general fund of \$3,817,015. The District relies on unrestricted revenues of the general fund for its operations more than in prior years due to reductions in federal funding. Through sound financial planning the district has been able to increase its cash balance in the general fund while still funding the replacement, technology, and severance fund from transfers out of the general fund. The District has not requested new operating money since 2000 and passed a renewal of its income tax in May of 2015.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,453,183
Receivables:	
Property taxes	4,192,950
Income taxes.	399,811
Accrued interest	6,234
Intergovernmental	125,238
Prepayments	37,691
Materials and supplies inventory.	2,697
Inventory held for resale.	10,361
Net OPEB asset (Note 13)	684,787
Capital assets:	
Nondepreciable capital assets	20,972
Depreciable capital assets, net.	24,087,149
Capital assets, net	24,108,121
Total assets.	37,021,073
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	572,465
Pension (Note 12)	2,299,239
OPEB (Note 13)	204,257
Total deferred outflows of resources	3,075,961
 Liabilities:	
Accounts payable.	23,930
Accrued wages and benefits payable	852,390
Intergovernmental payable	65,230
Pension and postemployment benefits payable	167,194
Accrued interest payable	19,381
Long-term liabilities:	
Due within one year.	556,618
Due in more than one year:	
Net pension liability (Note 12)	11,332,093
Net OPEB liability (Note 13).	938,794
Other amounts due in more than one year	9,279,708
Total liabilities	23,235,338
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,756,993
Pension (Note 12)	520,019
OPEB (Note 13)	1,095,097
Total deferred inflows of resources	5,372,109
 Net position:	
Net investment in capital assets	16,342,110
Restricted for:	
Classroom facilities maintenance	215,326
Debt service.	278,504
State funded programs.	26,265
Federally funded programs	2,276
Student activities	137,873
Other purposes	60,378
Unrestricted (deficit)	(5,573,145)
Total net position.	\$ 11,489,587

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 6,274,028	\$ 935,612	\$ 86,090	\$ (5,252,326)
Special	1,686,255	103,667	597,089	(985,499)
Vocational	229,736	-	48,944	(180,792)
Adult/continuing.	20,300	11,000	15,587	6,287
Support services:				
Pupil.	281,546	-	24,211	(257,335)
Instructional staff	179,457	-	-	(179,457)
Board of education	104,912	-	-	(104,912)
Administration.	976,154	-	65,398	(910,756)
Fiscal.	454,845	-	7	(454,838)
Business.	7,881	-	-	(7,881)
Operations and maintenance	969,489	9,054	73,664	(886,771)
Pupil transportation.	737,795	-	-	(737,795)
Central	236,129	-	14,844	(221,285)
Operation of non-instructional services:				
Other non-instructional services	99,832	-	372	(99,460)
Food service operations	421,686	172,715	164,829	(84,142)
Extracurricular activities.	722,019	401,711	2,540	(317,768)
Interest and fiscal charges	377,138	-	-	(377,138)
Total governmental activities	\$ 13,779,202	\$ 1,633,759	\$ 1,093,575	(11,051,868)

General revenues:

Property taxes levied for:	
General purposes	3,392,661
Debt service.	664,472
Classroom facilities maintenance.	45,648
Income taxes levied for:	
General purposes	1,133,794
Grants and entitlements not restricted to specific programs	4,928,697
Investment earnings	81,887
Miscellaneous	16,934
Total general revenues	10,264,093
Change in net position	(787,775)
Net position at beginning of year (restated)	12,277,362
Net position at end of year.	\$ 11,489,587

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Replacement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 4,423,601	\$ 954,013	\$ 1,330,999	\$ 744,570	\$ 7,453,183
Receivables:					
Property taxes.	3,458,694	690,629	-	43,627	4,192,950
Income taxes.	399,811	-	-	-	399,811
Accrued interest.	6,234	-	-	-	6,234
Interfund loans.	16,590	-	-	-	16,590
Intergovernmental.	65,312	-	-	59,926	125,238
Prepayments.	35,699	-	-	1,992	37,691
Materials and supplies inventory.	898	-	-	1,799	2,697
Inventory held for resale.	-	-	-	10,361	10,361
Total assets.	<u>\$ 8,406,839</u>	<u>\$ 1,644,642</u>	<u>\$ 1,330,999</u>	<u>\$ 862,275</u>	<u>\$ 12,244,755</u>
Liabilities:					
Accounts payable.	\$ 17,211	\$ -	\$ -	\$ 6,719	\$ 23,930
Accrued wages and benefits payable.	780,266	-	-	72,124	852,390
Compensated absences payable.	17,876	-	-	-	17,876
Intergovernmental payable.	64,238	-	-	992	65,230
Pension and postemployment benefits payable.	158,801	-	-	8,393	167,194
Interfund loans payable.	-	-	-	16,590	16,590
Total liabilities.	<u>1,038,392</u>	<u>-</u>	<u>-</u>	<u>104,818</u>	<u>1,143,210</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year.	3,086,293	630,855	-	39,845	3,756,993
Delinquent property tax revenue not available.	212,671	33,046	-	2,086	247,803
Income tax revenue not available.	71,896	-	-	-	71,896
Intergovernmental revenue not available.	-	-	-	14,124	14,124
Total deferred inflows of resources.	<u>3,370,860</u>	<u>663,901</u>	<u>-</u>	<u>56,055</u>	<u>4,090,816</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	898	-	-	1,799	2,697
Prepays.	35,699	-	-	1,992	37,691
Unclaimed funds.	702	-	-	-	702
Restricted:					
Debt service.	-	980,741	-	-	980,741
Classroom facilities maintenance.	-	-	-	213,240	213,240
Targeted academic assistance.	-	-	-	2,276	2,276
Other purposes.	-	-	-	86,643	86,643
Student activities.	-	-	-	137,873	137,873
Committed:					
Capital improvements.	-	-	1,330,999	301,648	1,632,647
Termination benefits.	169,405	-	-	-	169,405
Assigned:					
Student instruction.	4,026	-	-	-	4,026
Student and staff support.	33,330	-	-	-	33,330
Subsequent year's appropriations.	440,194	-	-	-	440,194
Other purposes.	369,845	-	-	-	369,845
Unassigned (deficit).	2,943,488	-	-	(44,069)	2,899,419
Total fund balances.	<u>3,997,587</u>	<u>980,741</u>	<u>1,330,999</u>	<u>701,402</u>	<u>7,010,729</u>
Total liabilities, deferred inflows and fund balances.	<u>\$ 8,406,839</u>	<u>\$ 1,644,642</u>	<u>\$ 1,330,999</u>	<u>\$ 862,275</u>	<u>\$ 12,244,755</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances		\$	7,010,729
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,108,121
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	247,803	
Income taxes receivable		71,896	
Intergovernmental receivable		14,124	
Total		333,823	333,823
Unamortized premiums on bonds issued are not recognized in the funds.			(673,584)
Unamortized amounts on refundings are not recognized in the funds.			572,465
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(19,381)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		2,299,239	
Deferred inflows of resources - pension		(520,019)	
Net pension liability		(11,332,093)	
Total		(9,552,873)	(9,552,873)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Net OPEB asset		684,787	
Deferred outflows of resources - OPEB		204,257	
Deferred inflows of resources - OPEB		(1,095,097)	
Net OPEB liability		(938,794)	
Total		(1,144,847)	(1,144,847)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(8,380,794)	
Compensated absences		(764,072)	
Total		(9,144,866)	(9,144,866)
Net position of governmental activities		\$	11,489,587

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Debt Service	Replacement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	\$ 3,304,097	\$ 649,088	\$ -	\$ 44,790	\$ 3,997,975
Income taxes	1,157,799	-	-	-	1,157,799
Tuition	997,525	-	-	-	997,525
Earnings on investments	72,224	-	5,913	3,750	81,887
Charges for services	-	-	-	172,715	172,715
Extracurricular	2,995	-	-	398,921	401,916
Classroom materials and fees	32,306	-	-	9,243	41,549
Rental income	9,054	-	-	-	9,054
Contributions and donations	12,700	-	-	66,446	79,146
Other local revenues	15,234	-	-	-	15,234
Intergovernmental - state	5,119,568	101,796	-	161,850	5,383,214
Intergovernmental - federal	69,751	-	-	519,451	589,202
Total revenues	10,793,253	750,884	5,913	1,377,166	12,927,216
Expenditures:					
Current:					
Instruction:					
Regular	5,445,802	-	-	153,755	5,599,557
Special	1,287,397	-	-	283,319	1,570,716
Vocational	198,689	-	-	-	198,689
Adult/continuing	5,000	-	-	15,300	20,300
Support services:					
Pupil	231,609	-	-	23,849	255,458
Instructional staff	139,261	-	-	-	139,261
Board of education	104,746	-	-	-	104,746
Administration	812,107	-	-	65,398	877,505
Fiscal	401,836	14,370	-	985	417,191
Business	4,726	-	-	-	4,726
Operations and maintenance	819,942	-	-	128,626	948,568
Pupil transportation	620,637	-	-	-	620,637
Central	216,092	-	-	14,844	230,936
Operation of non-instructional services:					
Other non-instructional services	70,628	-	-	365	70,993
Food service operations	-	-	-	367,315	367,315
Extracurricular activities	291,313	-	-	378,178	669,491
Debt service:					
Principal retirement	-	90,037	-	-	90,037
Interest and fiscal charges	-	245,293	-	-	245,293
Accretion on capital appreciation bonds	-	429,963	-	-	429,963
Total expenditures	10,649,785	779,663	-	1,431,934	12,861,382
Excess (deficiency) of revenues over (under) expenditures	143,468	(28,779)	5,913	(54,768)	65,834
Other financing sources (uses):					
Transfers in	-	-	225,000	61,563	286,563
Transfers (out)	(286,563)	-	-	-	(286,563)
Total other financing sources (uses)	(286,563)	-	225,000	61,563	-
Net change in fund balances	(143,095)	(28,779)	230,913	6,795	65,834
Fund balances at beginning of year (restated)	4,140,682	1,009,520	1,100,086	694,607	6,944,895
Fund balances at end of year	\$ 3,997,587	\$ 980,741	\$ 1,330,999	\$ 701,402	\$ 7,010,729

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	65,834
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 124,737	
Current year depreciation	(769,972)	
Total		(645,235)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	104,806	
Intergovernmental	(16,590)	
Income taxes	(24,005)	
Total		64,211
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
General obligation bonds	75,000	
Capital appreciation bonds	15,037	
Accreted interest on capital appreciation bonds	429,963	
Total		520,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
Decrease in accrued interest payable	55	
Accreted interest on capital appreciation bonds	(139,484)	
Amortization of bond premiums	50,519	
Amortization of deferred charges	(42,935)	
Total		(131,845)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		888,673
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,719,377)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		23,407
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		179,396
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(32,839)
Change in net position of governmental activities	\$	(787,775)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 3,092,699	\$ 3,246,023	\$ 3,246,023	\$ -
Income taxes.	1,210,552	1,251,713	1,251,713	-
Tuition.	936,725	997,525	997,525	-
Earnings on investments	48,699	48,704	46,876	(1,828)
Classroom materials and fees	34,737	34,742	32,306	(2,436)
Rental income	750	1,750	1,750	-
Contributions and donations	2,214	1,700	1,700	-
Other local revenues	4,770	15,139	15,139	-
Intergovernmental - state	5,301,301	5,119,536	5,120,059	523
Intergovernmental - federal	38,158	24,703	27,031	2,328
Total revenues	<u>10,670,605</u>	<u>10,741,535</u>	<u>10,740,122</u>	<u>(1,413)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,886,073	5,436,821	5,435,241	1,580
Special.	1,247,731	1,301,209	1,301,209	-
Vocational.	176,561	196,664	196,664	-
Support services:				
Pupil.	197,278	221,439	221,439	-
Instructional staff	128,352	137,394	137,394	-
Board of education	446,488	117,619	113,704	3,915
Administration.	831,505	811,635	808,422	3,213
Fiscal	357,181	407,873	407,222	651
Business	1,673	4,816	4,816	-
Operations and maintenance.	827,275	854,979	854,782	197
Pupil transportation	575,025	625,581	624,493	1,088
Central.	222,965	223,593	222,913	680
Other operation of non-instructional services	66,650	69,271	69,232	39
Extracurricular activities.	310,207	283,577	283,577	-
Total expenditures	<u>10,274,964</u>	<u>10,692,471</u>	<u>10,681,108</u>	<u>11,363</u>
Excess of revenues over expenditures.	<u>395,641</u>	<u>49,064</u>	<u>59,014</u>	<u>9,950</u>
Other financing sources (uses):				
Refund of prior year's expenditures	29,617	49,662	49,662	-
Transfers (out).	(361,198)	(377,475)	(377,475)	-
Advances in.	730	304	304	-
Advances (out)	(304)	(16,520)	(16,520)	-
Total other financing sources (uses)	<u>(331,155)</u>	<u>(344,029)</u>	<u>(344,029)</u>	<u>-</u>
Net change in fund balance	64,486	(294,965)	(285,015)	9,950
Fund balance at beginning of year	4,087,896	4,087,896	4,087,896	-
Prior year encumbrances appropriated	14,134	14,134	14,134	-
Fund balance at end of year	<u>\$ 4,166,516</u>	<u>\$ 3,807,065</u>	<u>\$ 3,817,015</u>	<u>\$ 9,950</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

SENECA EAST LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 15,356
Net position:	
Restricted for individuals, organizations and other governments . . .	\$ 15,356

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Custodial
Additions:	
Extracurricular collections for OHSAA and other governments.	\$ 10,053
Food service collections for student accounts.	6,038
Total additions.	16,091
 Deductions:	
Extracurricular distributions to OHSAA and other governments.	10,053
Change in net position	6,038
Net position at beginning of year (restated)	9,318
Net position at end of year	\$ 15,356

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1970. The District serves an area of approximately 154 square miles and is located in Seneca and Huron Counties. The District is staffed by 69 certified employees, 43 classified employees and 5 administrators who provide services to 811 students from preschool through grade 12 and other community members. The District currently operates one instructional facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. Payments made by the District to NOECA for services during fiscal year 2020 totaled \$13,248. Financial information may be obtained from NOECA, 219 Howard Drive, Sandusky, Ohio 44870.

Vanguard-Sentinel Career and Technology Center

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

Bay Area Council

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. Financial information may be obtained from the North Point Educational Service Center, which serves as fiscal agent, 4918 Milan Road, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Incorporated

The Northwestern Ohio Educational Research Council, Inc. is a non-profit organization under the direction of a Board of Directors. The Council was formed to provide conferences and training to personnel of the participating districts. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. To obtain financial information write to the Northwestern Ohio Educational Research Council, Inc., Andrew M. Smith, Treasurer, at 441 E. Market Street, Celina, Ohio 45822.

North Central Ohio Regional Council of Governments (NCORCOG)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

RELATED ORGANIZATION

Seneca East Public Library

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

INSURANCE PURCHASING POOLS

North Central Ohio Trust Regional Council of Governments (NCOT)

NCOT is a legally separate body politic and corporate organized as a regional council of governments under Chapter 167 of the Ohio Revised Code. NCOT is governed by an Assembly which consists of one representative from each participating school district (usually the superintendent or designee). The Assembly elects officers for one year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the NCOT. All NCOT revenues are generated from charges for services. NCOT was formed for the purpose of providing and administering health insurance benefits for member governments. Each participating member decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Association is by written application subject to the acceptance by the Board of Directors and payment of monthly premiums. See Note 11.B. for additional information about NCOT.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11.C. for further detail regarding the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

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

Replacement fund - The replacement fund is used to account for monies used in the improvement of property which has been totally or partially destroyed due to any cause.

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District has no trust funds. The District's custodial funds account for Ohio High School Athletic Association (OHSAA) competitions and cafeteria prepayments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

D. Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except custodial funds. The specific timetable for fiscal year 2020 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2020.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures for the general fund. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2020. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

F. Cash and Investments

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

During fiscal year 2020, investments were limited to nonnegotiable certificates of deposit which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the replacement fund, the capital projects fund (a nonmajor governmental fund) and the classroom facilities maintenance fund (a nonmajor governmental fund). Interest revenue credited to the general fund during fiscal year 2020 amounted to \$72,224, which includes \$22,742 assigned from other funds.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans among the governmental activities are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position. Interfund loans between governmental funds and custodial funds are classified as "loans receivable/payable".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

J. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2020, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave for employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bond obligations are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

L. Fund Balance

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 10.

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

R. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, "Fiduciary Activities" and GASB Statement No. 90, "Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61".

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 District will no longer be reporting agency funds and is currently not reporting any private-purpose trust funds. The District reviewed its agency funds and private-purpose trust funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	<u>General</u>	<u>Debt Service</u>	<u>Replacement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance as previously reported	\$ 4,140,682	\$ 1,009,520	\$ 1,100,086	\$ 622,044	\$ 6,872,332
GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,563</u>	<u>72,563</u>
Restated Fund Balance, at June 30, 2019	<u>\$ 4,140,682</u>	<u>\$ 1,009,520</u>	<u>\$ 1,100,086</u>	<u>\$ 694,607</u>	<u>\$ 6,944,895</u>

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	<u>Governmental Activities</u>
Net position as previously reported	\$ 12,204,799
GASB Statement No. 84	<u>72,563</u>
Restated net position at June 30, 2019	<u>\$ 12,277,362</u>

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$9,318. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$32,627. At June 30, 2019, private-purpose trust funds reported assets and net position of \$49,542. Also, as of June 30, 2020, the District is currently not reporting any private-purpose trust funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 26,071
Elementary and Secondary School Emergency Relief	14,124
IDEA Part B	3,676
Improving Teacher Quality	198

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

NOTE 4 - DEPOSITS

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

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

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

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

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

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS - (Continued)

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the 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.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$2,050 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$7,466,489 and the bank balance of all District deposits was \$7,513,243. Of the bank balance, \$750,000 was covered by the FDIC and \$6,763,243 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) 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 requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the District's financial institutions have pledged collateral whose market value is at least 105 percent of the deposits being secured. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

The District held no investments at June 30, 2020.

D. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash as reported on the statement of net position as of June 30, 2020:

Cash and cash equivalents per note

Carrying amount of deposits	\$ 7,466,489
Cash on hand	2,050
Total	\$ 7,468,539

Cash and cash equivalents per financial statements

Governmental activities	\$ 7,453,183
Custodial funds	15,356
Total	\$ 7,468,539

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Replacement	\$ 225,000
Nonmajor governmental funds	61,563
Total	\$ 286,563

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

- B.** Interfund balances at June 30, 2020 as reported on the fund statements include the following interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 16,590</u>

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca and Huron Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$159,730 in the general fund, \$26,728 in the debt service fund and \$1,696 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$101,656 in the general fund, \$16,787 in the debt service fund and \$1,128 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 142,635,230	92.77	\$ 143,173,170	89.37
Public utility personal	<u>11,114,130</u>	<u>7.23</u>	<u>17,033,950</u>	<u>10.63</u>
Total	<u>\$ 153,749,360</u>	<u>100.00</u>	<u>\$ 160,207,120</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$35.30		\$35.45	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax that was renewed in May 2015. This tax is effective for five years and will expire on December 31, 2020. School district income tax revenue credited to the general fund during fiscal year 2020 was \$1,157,799.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2020 consisted of property and income taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Taxes	\$ 4,592,761
Accrued interest	6,234
Intergovernmental	<u>125,238</u>
Total	<u>\$ 4,724,233</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Balance 6/30/19	Additions	Deductions	Balance 6/30/20
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 20,972	\$ -	\$ -	\$ 20,972
Total capital assets, not being depreciated	20,972	-	-	20,972
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	30,781,817	-	-	30,781,817
Furniture and equipment	2,342,058	124,737	-	2,466,795
Vehicles	1,309,284	-	-	1,309,284
Total capital assets, being depreciated	34,433,159	124,737	-	34,557,896
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(6,789,779)	(615,856)	-	(7,405,635)
Furniture and equipment	(1,857,421)	(94,918)	-	(1,952,339)
Vehicles	(1,053,575)	(59,198)	-	(1,112,773)
Total accumulated depreciation	(9,700,775)	(769,972)	-	(10,470,747)
Governmental activities capital assets, net	\$ 24,753,356	\$ (645,235)	\$ -	\$ 24,108,121

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 379,224
Special	32,092
Vocational	16,695
<u>Support services:</u>	
Pupil	8,916
Instructional staff	29,427
Administration	49,211
Fiscal	16,876
Business	3,155
Operations and maintenance	47,776
Pupil transportation	90,099
<u>Operation of non-instructional services:</u>	
Food service operations	37,212
Other non-instructional services	28,839
Extracurricular activities	30,450
Total depreciation expense	\$ 769,972

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2020, the following changes occurred in governmental activities' long-term obligations.

	Balance 6/30/19	Additions	Reductions	Balance 6/30/20	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
Current interest	\$ 7,630,000	\$ -	\$ (75,000)	\$ 7,555,000	\$ 75,000
Capital appreciation	124,929	-	(15,037)	109,892	11,823
Accreted interest on capital appreciation bonds	1,006,381	139,484	(429,963)	715,902	423,848
Total general obligation bonds	8,761,310	139,484	(520,000)	8,380,794	510,671
Other long-term obligations:					
Net pension liability	10,987,317	344,776	-	11,332,093	-
Net OPEB liability	1,040,387	-	(101,593)	938,794	-
Compensated absences	734,932	92,303	(45,287)	781,948	45,947
Total other long-term obligations	12,762,636	437,079	(146,880)	13,052,835	45,947
Total long-term liabilities	\$ 21,523,946	\$ 576,563	\$ (666,880)	21,433,629	\$ 556,618
Add: Unamortized premium on Series 2013 General Obligation Refunding Bonds				673,584	
Total long-term obligations reported on the statement of net position				\$ 22,107,213	

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

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

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

The issue is comprised of both current interest bonds, par value \$11,800,000, and capital appreciation bonds, par value \$45,986. Interest rates on the current interest bonds range from 3.5% to 4.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2020. A portion of the Series 2005 General Obligation Bonds was refunded during fiscal year 2013 in the amount of \$8,550,000. The current interest bonds matured on December 1, 2015.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The capital appreciation bonds mature on December 1, 2018, 2019, and 2020 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at stated approximate yields to maturity of 4.65%, 4.70%, and 4.80%, respectively. The accreted value at maturity for the capital appreciation bonds is \$890,000. Total accreted interest of \$715,902 has been included in the statement of net position.

The following is a schedule of activity of the Series 2005 General Obligation Bonds for fiscal year 2019.

	Balance 6/30/19	Additions	Reductions	Balance 6/30/20
Series 2005 General Obligation Bonds:				
Capital appreciation bonds	\$ 26,860	\$ -	\$ (15,037)	\$ 11,823
Accreted interest on capital appreciation bonds	784,392	69,419	(429,963)	423,848
Total Series 2005 General Obligation Bonds	\$ 811,252	\$ 69,419	\$ (445,000)	\$ 435,671

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

Fiscal Year Ending	Capital Appreciation Bonds		
June 30,	Principal	Accretion	Total
2021	\$ 11,823	\$ 433,177	\$ 445,000

- C. Series 2013 General Obligation Refunding Bonds: On June 18, 2013, the District issued Series 2013 General Obligation Refunding Bonds to advance refund \$8,550,000 of the Series 2005 current interest bonds. Issuance proceeds of \$9,424,792 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased in substance and has been removed from the statement of net position; as of June 30, 2020, the balance of the defeased debt amounted to \$7,715,000.

The refunding issue is comprised of both current interest bonds, par value \$7,975,000, and capital appreciation bonds, par value \$574,993. The interest rates on the current interest bonds range from 1.0% to 3.5% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2033. A principal payment of \$75,000 was made during fiscal year 2020. The balance of the current interest refunding bonds at June 30, 2020, is \$7,555,000.

The capital appreciation bonds mature on December 1, 2021 at a redemption price equal to 100% of the principal plus accrued interest to the redemption date at a stated approximate yield to maturity of 2.75%. The accreted value at maturity for the capital appreciation bonds is \$525,000 with \$426,931 representing interest that accretes over the term of the bonds. Total accreted interest of \$292,054 has been included in the statements of activities.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$874,792; this amount is amortized as a deferred outflow of resources over the remaining term of the refunded debt, which is equal to the life of the new debt issued.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity of the Series 2013 General Obligation Refunding Bonds for fiscal year 2020:

	Balance 6/30/19	Additions	Reductions	Balance 6/30/20
Series 2013 General				
Obligation Refunding Bonds:				
Current interest bonds	\$ 7,630,000	\$ -	\$ (75,000)	\$ 7,555,000
Capital appreciation bonds	98,069	-	-	98,069
Accreted interest on capital appreciation bonds	221,989	70,065	-	292,054
Total Series 2013 General				
Obligation Refunding Bonds	<u>\$ 7,950,058</u>	<u>\$ 70,065</u>	<u>\$ (75,000)</u>	<u>\$ 7,945,123</u>

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

Fiscal Year Ending	Series 2013 General Obligation Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	June 30,	Principal	Interest	Total	Principal	Accretion
2021	75,000	243,905	318,905	-	-	-
2022	-	243,211	243,211	98,069	426,931	525,000
2023	525,000	237,633	762,633	-	-	-
2024	530,000	225,960	755,960	-	-	-
2025	545,000	216,053	761,053	-	-	-
2026 - 2030	3,010,000	798,380	3,808,380	-	-	-
2031 - 2034	<u>2,870,000</u>	<u>223,550</u>	<u>3,093,550</u>	-	-	-
Total	<u>\$ 7,555,000</u>	<u>\$ 2,188,692</u>	<u>\$ 9,743,692</u>	<u>\$ 98,069</u>	<u>\$ 426,931</u>	<u>\$ 525,000</u>

- D. *Legal Debt Margin:*** The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$7,734,490 (including available funds of \$980,741) and an unvoted debt margin of \$160,207.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District contracted for the following insurance coverage:

Coverage provided by Schools of Ohio Risk Sharing Authority (SORSA) is as follows:

Buildings and Contents -replacement cost	\$42,814,321
Computer Equipment– blanket all locations	1,250,000
Maintenance Equipment	Included in Buildings & Contents Limit
Misc. Radio	Included in Buildings & Contents Limit
Musical Instruments	1,000,000
Automobile Liability	15,000,000
Uninsured Motorists - per person	1,000,000
Medical Payments - per person	10,000
General Liability –	
Each Occurrence Limit	15,000,000
Damage to Premises Rented Limit – any one premises	500,000
Medical Expense Limit – any one person	10,000
Personal and Advertising Injury Limit – any one person or organization	15,000,000
General Aggregate Limit	17,000,000
School Leaders Errors and Omissions	
Each Wrongful Act Limit	15,000,000
Aggregate Limit	15,000,000
Sexual Misconduct and Molestation Liability	
Each Loss Limit	Included in General Liability
Aggregate Limit	Included in General Liability
Employers Stop Gap Liability	
Bodily Injury by Accident – each accident limit	15,000,000
Bodily Injury by Disease – policy limit	15,000,000
Bodily Injury by Disease – each employee limit	15,000,000
Aggregate	15,000,000
Cyber Liability - AIG	
Sublimit of Liability	1,000,000
Regulatory Action Sublimit of Liability	1,000,000
Retention	10,000
Cyber Liability – BCS Insurance Company (RPS)	
Privacy Liability Per Claim	1,000,000
Privacy Regulatory Claims Coverage Per Claim	1,000,000
Security Breach Response Coverage Per Claim	1,000,000
Multimedia Liability Per Claim	1,000,000
Cyber Extortion Per Claim	1,000,000

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NOTE 11 - RISK MANAGEMENT - (Continued)

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

B. Health, Dental, Vision and Life Insurance

The District participates in NCOT, a regional council of governments consisting of member school districts (See Note 2.A.). Each participating member pays premiums to NCOT for employee medical, dental, life and vision coverage. NCOT is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all NCOT liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of NCOT, all member's claims are paid without regard to the members account balance. NCOT Board of Directors has the right to return or not return monies to an existing participating member subsequent to the settlement of all expenses and claims.

C. Workers' Compensation Plan

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

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Comp Management provided administrative, cost control and actuarial services to the Plan for fiscal year 2020.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the 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 liability 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

GASB 68 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 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 could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

Plan Description - District Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a 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 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 after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$183,962 for fiscal year 2020. Of this amount, \$23,279 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until 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.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% 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 after termination of employment at age 50 or later.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, 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. 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. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$704,711 for fiscal year 2020. Of this amount, \$120,508 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03669050%	0.04041333%	
Proportion of the net pension liability current measurement date	<u>0.03658100%</u>	<u>0.04134586%</u>	
Change in proportionate share	<u>-0.00010950%</u>	<u>0.00093253%</u>	
Proportionate share of the net pension liability	\$ 2,188,705	\$ 9,143,388	\$ 11,332,093
Pension expense	\$ 331,821	\$ 1,387,556	\$ 1,719,377

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 55,500	\$ 74,444	\$ 129,944
Changes of assumptions	-	1,074,067	1,074,067
Difference between employer contributions and proportionate share of contributions/change in proportionate share	3,412	203,143	206,555
Contributions subsequent to the measurement date	<u>183,962</u>	<u>704,711</u>	<u>888,673</u>
Total deferred outflows of resources	<u>\$ 242,874</u>	<u>\$ 2,056,365</u>	<u>\$ 2,299,239</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 39,580	\$ 39,580
Net difference between projected and actual earnings on pension plan investments	28,091	446,879	474,970
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>5,469</u>	<u>-</u>	<u>5,469</u>
Total deferred inflows of resources	<u>\$ 33,560</u>	<u>\$ 486,459</u>	<u>\$ 520,019</u>

\$888,673 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ 60,330	\$ 648,176	\$ 708,506
2022	(49,044)	154,994	105,950
2023	(1,868)	(22,869)	(24,737)
2024	<u>15,934</u>	<u>84,894</u>	<u>100,828</u>
Total	<u>\$ 25,352</u>	<u>\$ 865,195</u>	<u>\$ 890,547</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 termination). 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% 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 Pension Plan Investments has been determined 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 a 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.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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 pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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 net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,067,159	\$ 2,188,705	\$ 1,452,012

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's 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 Real 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	100.00 %	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the 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%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 13,362,044	\$ 9,143,388	\$ 5,572,081

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net 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 these estimates annually.

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

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded/funded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

Plan Description - District Employees Retirement System (SERS)

Health Care Plan Description - The 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 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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$23,407.

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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$23,407 for fiscal year 2020. Of this amount, \$23,407 is reported as pension and postemployment benefits payable.

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 will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the 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 and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03750130%	0.04041333%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03733090%</u>	<u>0.04134586%</u>	
Change in proportionate share	<u>-0.00017040%</u>	<u>0.00093253%</u>	
Proportionate share of the net OPEB liability	\$ 938,794	\$ -	\$ 938,794
Proportionate share of the net OPEB asset	\$ -	\$ 684,787	\$ 684,787
OPEB expense	\$ 27,628	\$ (207,024)	\$ (179,396)

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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 13,780	\$ 62,082	\$ 75,862
Net difference between projected and actual earnings on OPEB plan investments	2,252	-	2,252
Changes of assumptions	68,569	14,394	82,963
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	1,933	17,840	19,773
Contributions subsequent to the measurement date	<u>23,407</u>	<u>-</u>	<u>23,407</u>
Total deferred outflows of resources	<u>\$ 109,941</u>	<u>\$ 94,316</u>	<u>\$ 204,257</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 206,247	\$ 34,839	\$ 241,086
Net difference between projected and actual earnings on OPEB plan investments	-	43,009	43,009
Changes of assumptions	52,608	750,787	803,395
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>7,607</u>	<u>-</u>	<u>7,607</u>
Total deferred inflows of resources	<u>\$ 266,462</u>	<u>\$ 828,635</u>	<u>\$ 1,095,097</u>

\$23,407 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	\$ (56,093)	\$ (160,831)	\$ (216,924)
2022	(28,408)	(160,829)	(189,237)
2023	(27,751)	(143,593)	(171,344)
2024	(27,855)	(137,547)	(165,402)
2025	(27,231)	(134,384)	(161,615)
Thereafter	<u>(12,590)</u>	<u>2,865</u>	<u>(9,725)</u>
Total	<u>\$ (179,928)</u>	<u>\$ (734,319)</u>	<u>\$ (914,247)</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 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%, 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 timeframe. 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	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of 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, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the 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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,139,517	\$ 938,794	\$ 779,195

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 752,164	\$ 938,794	\$ 1,186,406

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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 Real 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>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these 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% was used to measure the total OPEB asset as of June 30, 2019.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, 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%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 584,329	\$ 684,787	\$ 769,248

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 776,517	\$ 684,787	\$ 572,440

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (285,015)
Net adjustment for revenue accruals	8,514
Net adjustment for expenditure accruals	(51,001)
Net adjustment for other sources/uses	57,482
Funds budgeted elsewhere	90,669
Adjustment for encumbrances	36,256
GAAP basis	<u>\$ (143,095)</u>

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

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

**SENECA EAST LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	159,255
Current year qualifying expenditures	(18,462)
Current year offsets	(66,867)
Prior year offset from bond proceeds	<u>(73,926)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

During fiscal year 2005, the District issued \$11,845,986 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$10,797,009 at June 30, 2020.

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 24,979
Nonmajor governmental funds	<u>234,888</u>
Total	<u>\$ 259,867</u>

**SENECA EAST LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 18 - COVID-19

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 continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03658100%	0.03669050%	0.03651780%	0.03664450%
District's proportionate share of the net pension liability	\$ 2,188,705	\$ 2,101,333	\$ 2,181,858	\$ 2,682,039
District's covered payroll	\$ 1,281,719	\$ 1,233,637	\$ 1,144,014	\$ 1,153,279
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.76%	170.34%	190.72%	232.56%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03736590%	0.03814400%	0.03814400%
\$ 2,132,134	\$ 1,930,446	\$ 2,268,301
\$ 1,124,909	\$ 1,108,391	\$ 1,026,936
189.54%	174.17%	220.88%
69.16%	71.70%	65.52%

**SENECA EAST LOCAL SCHOOL DISTRICT
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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.04134586%	0.04041333%	0.04007159%	0.03999573%
District's proportionate share of the net pension liability	\$ 9,143,388	\$ 8,885,984	\$ 9,519,092	\$ 13,387,776
District's covered payroll	\$ 4,853,586	\$ 4,625,936	\$ 4,505,479	\$ 4,205,721
District's proportionate share of the net pension liability as a percentage of its covered payroll	188.38%	192.09%	211.28%	318.32%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03933764%	0.03938389%	0.03938389%
\$ 10,871,773	\$ 9,579,525	\$ 11,411,068
\$ 4,154,000	\$ 4,023,946	\$ 4,059,992
261.72%	238.06%	281.06%
72.10%	74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 183,962	\$ 173,032	\$ 166,541	\$ 160,162
Contributions in relation to the contractually required contribution	<u>(183,962)</u>	<u>(173,032)</u>	<u>(166,541)</u>	<u>(160,162)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,314,014	\$ 1,281,719	\$ 1,233,637	\$ 1,144,014
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 161,459	\$ 148,263	\$ 153,623	\$ 142,128	\$ 131,845	\$ 115,970
<u>(161,459)</u>	<u>(148,263)</u>	<u>(153,623)</u>	<u>(142,128)</u>	<u>(131,845)</u>	<u>(115,970)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,153,279	\$ 1,124,909	\$ 1,108,391	\$ 1,026,936	\$ 980,260	\$ 922,593
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 704,711	\$ 679,502	\$ 647,631	\$ 630,767
Contributions in relation to the contractually required contribution	<u>(704,711)</u>	<u>(679,502)</u>	<u>(647,631)</u>	<u>(630,767)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,033,650	\$ 4,853,586	\$ 4,625,936	\$ 4,505,479
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014	2013	2012	2011
\$ 588,801	\$ 581,560	\$ 523,113	\$ 527,799	\$ 525,386	\$ 479,725
(588,801)	(581,560)	(523,113)	(527,799)	(525,386)	(479,725)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,205,721	\$ 4,154,000	\$ 4,023,946	\$ 4,059,992	\$ 4,041,431	\$ 3,690,192
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03733090%	0.03750130%	0.03707120%	0.03719805%
District's proportionate share of the net OPEB liability	\$ 938,794	\$ 1,040,387	\$ 994,894	\$ 1,060,282
District's covered payroll	\$ 1,281,719	\$ 1,233,637	\$ 1,144,014	\$ 1,153,279
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.24%	84.33%	86.97%	91.94%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.04134586%	0.04041333%	0.04007159%	0.03999573%
District's proportionate share of the net OPEB liability/(asset)	\$ (684,787)	\$ (649,401)	\$ 1,563,446	\$ 2,138,982
District's covered payroll	\$ 4,853,586	\$ 4,625,936	\$ 4,505,479	\$ 4,205,721
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.11%	14.04%	34.70%	50.86%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 23,407	\$ 28,457	\$ 27,666	\$ 20,270
Contributions in relation to the contractually required contribution	<u>(23,407)</u>	<u>(28,457)</u>	<u>(27,666)</u>	<u>(20,270)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,314,014	\$ 1,281,719	\$ 1,233,637	\$ 1,144,014
Contributions as a percentage of covered payroll	1.78%	2.22%	2.24%	1.77%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 19,092	\$ 26,177	\$ 17,856	\$ 1,624	\$ 5,180	\$ 32,707
<u>(19,092)</u>	<u>(26,177)</u>	<u>(17,856)</u>	<u>(1,624)</u>	<u>(5,180)</u>	<u>(32,707)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,153,279	\$ 1,124,909	\$ 1,108,391	\$ 1,026,936	\$ 980,260	\$ 922,593
1.66%	2.33%	1.61%	0.16%	0.53%	3.55%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,033,650	\$ 4,853,586	\$ 4,625,936	\$ 4,505,479
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 41,244	\$ 37,700	\$ 37,527	\$ 36,902
-	-	(41,244)	(37,700)	(37,527)	(36,902)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,205,721	\$ 4,154,000	\$ 4,023,946	\$ 4,059,992	\$ 4,041,431	\$ 3,690,192
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2020.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Seneca East Local School District
Seneca County
13343 U.S. 224
Attica, Ohio 44807

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Seneca East Local School District, Seneca County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Seneca East Local School District's basic financial statements, and have issued our report thereon dated November 20, 2020, wherein we noted as described in Note 3 to the financial statements, the Seneca East Local School District adopted GASBS No. 84, *Fiduciary Activities*. Furthermore, as described in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

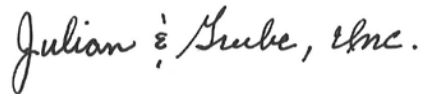
As part of obtaining reasonable assurance about whether the Seneca East Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Seneca East Local School District's Response to Finding

The Seneca East Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Seneca East Local School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Julian & Grube, Inc.
November 20, 2020

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Significant Deficiency - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Board of Education with objective and timely information to enable well-informed decisions.

The following adjustments were made due to income tax revenue inadvertently being included with Fiscal Year 2021 property tax estimated resources.

- To properly state the General Fund's property tax receivable on the fund financial statements, an adjustment was necessary to decrease the property tax receivable by \$1,262,406, decrease the deferred inflows of resources - property taxes levied for the next fiscal year by \$1,245,681, decrease the deferred inflows of resources - delinquent property tax revenue not available by \$10,693, and decrease the property tax revenue by \$6,032.
- To properly state the property tax receivable on the government-wide financial statements, an adjustment was necessary to decrease the property tax receivable by \$1,262,406, decrease the deferred inflows of resources - property taxes levied for the next fiscal year by \$1,245,681, and decrease the property taxes levied for general purposes revenue by \$16,725.

The District's financial statements and notes have been adjusted to reflect these adjustments.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the District's activity.

We recommend the District implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the basic financial statements prior to filing them in the Hinkle system.

Client Response: The District will closely monitor all activity to ensure accurate financial reporting in the future.

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OHIO AUDITOR OF STATE KEITH FABER



SENECA-EAST LOCAL SCHOOL DISTRICT

SENECA 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 3/2/2021

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