



OHIO AUDITOR OF STATE
KEITH FABER



**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2022**

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**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District, Wayne County, Ohio (the School District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, and the respective changes in modified cash-basis financial position thereof and the respective budgetary comparison for the General and Schoolwide Building Program funds for the year then ended in accordance with the modified cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the School District's basic financial statements.

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

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

Other Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 12, 202

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Southeast Local School District
Wayne County, Ohio
(Unaudited)

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The discussion and analysis of the Southeast Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- q In total, net position increased \$40,399,031 from 2021.
- q General receipts accounted for \$59,018,284 in receipts. Program specific receipts in the form of charges for services and sales, grants, contributions and interest accounted for \$4,353,676.

Using this Annual Report

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

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

Basis of Accounting

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

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

Southeast Local School District
Wayne County, Ohio
(Unaudited)

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The statement of net position and the statement of activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Reporting the School District's Fiduciary Responsibilities

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

Southeast Local School District
Wayne County, Ohio
(Unaudited)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2022 compared to 2021.

(Table 1)
Net Position – Modified Cash Basis

	Governmental Activities		
	2022	2021	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 20,241,192	\$ 21,876,648	\$ (1,635,456)
Cash and Investments in Segregated Accounts	42,019,360	-	42,019,360
Cash and Cash Equivalents with Fiscal Agents	1,027,673	1,012,546	15,127
<i>Total Assets</i>	\$ 63,288,225	\$ 22,889,194	\$ 40,399,031
Net Position			
Restricted for:			
Capital Outlay	\$ 48,738,713	\$ 954,286	\$ 47,784,427
Debt Service	2,089,760	-	2,089,760
Other Purposes	1,133,946	985,831	148,115
Unrestricted	11,325,806	20,949,077	(9,623,271)
<i>Total Net Position</i>	\$ 63,288,225	\$ 22,889,194	\$ 40,399,031

Segregated Cash and net position increased due to unspent debt proceeds.

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

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Southeast Local School District
Wayne County, Ohio
(Unaudited)
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Table 2 shows the changes in net position for fiscal year 2022 as compared to fiscal year 2021.

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

	Governmental Activities		
	2022	2021	Change
Receipts			
Program Receipts			
Charges for Services and Sales	\$ 414,042	\$ 1,503,495	\$ (1,089,453)
Operating Grants, Contributions and Interest	3,920,250	4,291,125	(370,875)
Capital Grants, Contributions and Interest	19,384	199	19,185
Total Program Receipts	4,353,676	5,794,819	(1,441,143)
General Receipts			
Property Taxes	12,899,122	13,632,726	(733,604)
Grants and Entitlements not Restricted to Specific Programs	7,419,685	5,932,674	1,487,011
Proceeds from Sale of Assets	298	1,530	(1,232)
Investment Earnings	46,291	37,055	9,236
Miscellaneous	191,287	348,480	(157,193)
Debt Proceeds	35,000,000	-	35,000,000
Premium on Debt Proceeds	3,632,394	-	3,632,394
Discount on Bonds	(170,793)	-	(170,793)
Total General Receipts	59,018,284	19,952,465	39,065,819
Total Receipts	63,371,960	25,747,284	37,624,676
Program Disbursements			
Instruction:			
Regular	9,279,773	8,767,798	511,975
Special	2,544,107	2,529,084	15,023
Vocational	233,427	216,452	16,975
Other	85,557	1,040,688	(955,131)
Support Services:			
Pupils	1,150,417	1,003,745	146,672
Instructional Staff	322,865	566,370	(243,505)
Board of Education	42,657	43,710	(1,053)
Administration	1,798,031	1,765,248	32,783
Fiscal	448,511	467,815	(19,304)
Operation and Maintenance of Plant	1,831,675	1,679,519	152,156
Pupil Transportation	1,709,901	1,546,599	163,302
Central	10,652	11,038	(386)
Operation of Non-Instructional Services:			
Food Service Operations	699,247	627,775	71,472
Community Services	413,131	381,816	31,315
Extracurricular Activities	530,062	402,924	127,138
Capital Outlay	501,075	-	501,075
Debt Service:			
Interest and Fiscal Charges	1,371,841	-	1,371,841
Total Program Disbursements	22,972,929	21,050,581	1,922,348
Change in Net Position	40,399,031	4,696,703	35,702,328
Net Position Beginning of Year	22,889,194	18,192,491	4,696,703
Net Position End of Year	\$ 63,288,225	\$ 22,889,194	\$ 40,399,031

**Southeast Local School District
Wayne County, Ohio
(Unaudited)**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022*

The decrease in charges for services and correlating increase in general revenue grants and entitlements is due to a change in the foundation funding formula for open enrollment. The decrease in other instruction expense is also related to the foundation funding changing to a direct funding model.

The School District's Funds

	<u>Fund Balance</u> <u>12/31/2022</u>	<u>Fund Balance</u> <u>12/31/2021</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 10,277,754	\$ 19,920,225	\$ (9,642,471)
Schoolwide Building Program	144,161	56,775	87,386
Building	47,683,091	-	47,683,091
Other Governmental	<u>4,134,631</u>	<u>1,881,570</u>	<u>2,253,061</u>
Total	<u>\$ 62,239,637</u>	<u>\$ 21,858,570</u>	<u>\$ 40,381,067</u>

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

The general fund's fund balance decreased due to transfers out to the building fund and the schoolwide pool fund.

The schoolwide building program fund balance increased primarily due to the timing of receipts for grant draws requested by the School District.

The building fund increased due to transfers in and unspent bond proceeds for the school building construction project.

General Fund Budgeting Highlights

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

Original Budget Compared to Final Budget During the course of fiscal year 2022, the School District decreased general fund estimated receipts and other financing sources due to changes in the foundation formula. The School District increased original appropriations due to a transfer out to the building fund.

Final Budget Compared to Actual Results For fiscal year 2022, actual receipts and other financing sources were lower than the final budgeted receipts and other financing sources. Due to conservative spending and changes to open enrollment treatment, actual disbursements and other financing uses were less than final budgeted disbursements and other financing sources.

Southeast Local School District
Wayne County, Ohio
(Unaudited)

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Current Issues

The Board of Education and administration closely monitor its receipts and disbursements in accordance with its financial forecast. The financial future of the School District is not without its challenges though. The Administration closely monitors staffing levels to maintain financial stability. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the School District is quite strong. The Rover pipeline goes through the School District. This caused an increase in tax collection in fiscal year 2021 and fiscal year 2022. The long-term impact has not been determined. The School District will also need to monitor its enrollment closely to stay on top of its enrollment trends.

The District issued \$35,000,000 Certificates of Participation to help finance the construction of a new K – 12 facility on land owned by the District. Construction will begin in the summer of 2022 and will be completed in the summer of 2024. The new facility will allow the School District to obtain substantial savings from consolidating all grades under one building.

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

Contacting the School District's Financial Management

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

Southeast Local School District
Wayne County, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2022

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 20,241,192
Cash and Investments in Segregated Accounts	42,019,360
Cash and Cash Equivalents with Fiscal Agents	1,027,673
<i>Total Assets</i>	63,288,225
Net Position	
Restricted for:	
Capital Outlay	48,738,713
Debt Service	2,089,760
Other Purposes	1,133,946
Unrestricted	11,325,806
<i>Total Net Position</i>	\$ 63,288,225

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2022

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Receipts and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 9,279,773	\$ 211,742	\$ 1,918,358	\$ -	\$ (7,149,673)
Special	2,544,107	69,962	232,794	-	(2,241,351)
Vocational	233,427	-	-	-	(233,427)
Other	85,557	-	-	-	(85,557)
Support Services:					
Pupils	1,150,417	27,552	42,863	-	(1,080,002)
Instructional Staff	322,865	-	2,589	-	(320,276)
Board of Education	42,657	-	-	-	(42,657)
Administration	1,798,031	-	80,033	367	(1,717,631)
Fiscal	448,511	-	-	71	(448,440)
Operation and Maintenance of Plant	1,831,675	-	429,081	885	(1,401,709)
Pupil Transportation	1,709,901	-	5,804	1,096	(1,703,001)
Central	10,652	-	-	-	(10,652)
Operation of Non-Instructional Services:					
Food Service Operations	699,247	20,169	1,009,774	-	330,696
Community Services	413,131	-	193,691	-	(219,440)
Extracurricular Activities	530,062	84,617	5,263	-	(440,182)
Capital Outlay	501,075	-	-	16,965	(484,110)
Debt Service:					
Interest and Fiscal Charges	1,371,841	-	-	-	(1,371,841)
Discount on Bonds	170,793	-	-	-	(170,793)
Totals	<u>\$ 23,143,722</u>	<u>\$ 414,042</u>	<u>\$ 3,920,250</u>	<u>\$ 19,384</u>	<u>\$ (18,790,046)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	12,435,986
Capital Outlay	463,136
Grants and Entitlements not Restricted to Specific Programs	7,419,685
Proceeds from Sale of Assets	298
Investment Earnings	46,291
Miscellaneous	191,287
Debt Proceeds	35,000,000
Premium on Debt Proceeds	3,632,394
Total General Receipts	<u>59,189,077</u>
Change in Net Position	40,399,031
Net Position Beginning of Year	<u>22,889,194</u>
Net Position End of Year	<u>\$ 63,288,225</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Schoolwide Building Program	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 10,277,754	\$ 144,161	\$ 5,663,731	\$ 4,134,631	\$ 20,220,277
Cash and Investments in Segregated Accounts	-	-	42,019,360	-	42,019,360
Total Assets	<u>\$ 10,277,754</u>	<u>\$ 144,161</u>	<u>\$ 47,683,091</u>	<u>\$ 4,134,631</u>	<u>\$ 62,239,637</u>
Fund Balances					
Nonspendable	\$ 536	\$ -	\$ -	\$ -	\$ 536
Restricted	-	144,161	47,683,091	4,134,631	51,961,883
Assigned	405,245	-	-	-	405,245
Unassigned	9,871,973	-	-	-	9,871,973
Total Fund Balances	<u>\$ 10,277,754</u>	<u>\$ 144,161</u>	<u>\$ 47,683,091</u>	<u>\$ 4,134,631</u>	<u>\$ 62,239,637</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Modified Cash Basis
June 30, 2022

Total Governmental Fund Balances	\$ 62,239,637
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*Amounts reported for governmental activities in the
statement of net position are different because:*

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

1,048,588

Net Position of Governmental Activities

\$ 63,288,225

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Schoolwide Building Program	Building	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 12,435,986	\$ -	\$ -	\$ 463,136	\$ 12,899,122
Intergovernmental	7,372,510	1,093,400	-	2,858,292	11,324,202
Investment Income	39,853	-	15,731	3,691	59,275
Tuition and Fees	268,996	-	-	-	268,996
Extracurricular Activities	28,981	-	-	84,617	113,598
Gifts and Donations	10,440	-	-	5,255	15,695
Charges for Services	4,204	-	-	20,169	24,373
Rent	7,075	-	-	-	7,075
Miscellaneous	98,383	-	-	92,904	191,287
<i>Total Receipts</i>	<u>20,266,428</u>	<u>1,093,400</u>	<u>15,731</u>	<u>3,528,064</u>	<u>24,903,623</u>
Disbursements					
Current:					
Instruction:					
Regular	4,901,710	3,197,623	-	1,186,176	9,285,509
Special	1,688,737	814,116	-	42,839	2,545,692
Vocational	233,507	-	-	-	233,507
Other	85,557	-	-	-	85,557
Support Services:					
Pupils	795,074	152,072	-	203,686	1,150,832
Instructional Staff	319,607	1,205	-	2,211	323,023
Board of Education	42,657	-	-	-	42,657
Administration	1,460,515	330,923	7,750	-	1,799,188
Fiscal	440,695	-	-	7,856	448,551
Operation and Maintenance of Plant	1,302,400	-	-	529,911	1,832,311
Pupil Transportation	1,584,827	-	-	126,542	1,711,369
Central	10,661	-	-	-	10,661
Extracurricular Activities	333,400	-	-	196,662	530,062
Operation of Non-Instructional Services:					
Food Service Operations	-	-	-	699,408	699,408
Community Services	194,850	25,075	-	193,287	413,212
Capital Outlay	-	-	324,890	176,185	501,075
Debt Service:					
Interest and Fiscal Charges	-	-	-	1,371,841	1,371,841
<i>Total Disbursements</i>	<u>13,394,197</u>	<u>4,521,014</u>	<u>332,640</u>	<u>4,736,604</u>	<u>22,984,455</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,872,231</u>	<u>(3,427,614)</u>	<u>(316,909)</u>	<u>(1,208,540)</u>	<u>1,919,168</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	298	-	-	-	298
Debt Proceeds	-	-	35,000,000	-	35,000,000
Premium on Debt	-	-	-	3,632,394	3,632,394
Discount on Debt	-	-	-	(170,793)	(170,793)
Transfers In	-	3,515,000	13,000,000	-	16,515,000
Transfers Out	(16,515,000)	-	-	-	(16,515,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(16,514,702)</u>	<u>3,515,000</u>	<u>48,000,000</u>	<u>3,461,601</u>	<u>38,461,899</u>
<i>Net Change in Fund Balances</i>	<u>(9,642,471)</u>	<u>87,386</u>	<u>47,683,091</u>	<u>2,253,061</u>	<u>40,381,067</u>
<i>Fund Balances Beginning of Year</i>	<u>19,920,225</u>	<u>56,775</u>	<u>-</u>	<u>1,881,570</u>	<u>21,858,570</u>
<i>Fund Balances End of Year</i>	<u>\$ 10,277,754</u>	<u>\$ 144,161</u>	<u>\$ 47,683,091</u>	<u>\$ 4,134,631</u>	<u>\$ 62,239,637</u>

See accompanying notes to the basic financial statements.

Southeast Local School District

Wayne County, Ohio

*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2022*

Net Change in Fund Balances - Total Governmental Funds	\$ 40,381,067
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*Amounts reported for governmental activities in the
statement of activities are different because:*

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund disbursements and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).	<u>17,964</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 40,399,031</u></u>
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See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Receipts, Disbursements and Changes in
Modified Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 24,155,815	\$ 23,013,809	\$ 20,149,747	\$ (2,864,062)
Disbursements and Other Financing Uses	<u>18,666,917</u>	<u>31,806,917</u>	<u>30,128,478</u>	<u>1,678,439</u>
Net Change in Fund Balance	5,488,898	(8,793,108)	(9,978,731)	(1,185,623)
<i>Fund Balance Beginning of Year</i>	19,654,942	19,654,942	19,654,942	-
Prior Year Encumbrances Appropriated	<u>195,767</u>	<u>195,767</u>	<u>195,767</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 25,339,607</u>	<u>\$ 11,057,601</u>	<u>\$ 9,871,978</u>	<u>\$ (1,185,623)</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Receipts, Disbursements and Changes in
Modified Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Schoolwide Building Program Fund
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts and Other Financing Sources	\$ 6,084,525	\$ 4,487,612	\$ 4,608,400	\$ 120,788
Disbursements and Other Financing Uses	<u>6,406,802</u>	<u>4,544,386</u>	<u>4,521,597</u>	<u>22,789</u>
Net Change in Fund Balance	(322,277)	(56,774)	86,803	143,577
<i>Fund Balance Beginning of Year</i>	51,192	51,192	51,192	-
Prior Year Encumbrances Appropriated	<u>5,582</u>	<u>5,582</u>	<u>5,582</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ (265,503)</u>	<u>\$ -</u>	<u>\$ 143,577</u>	<u>\$ 143,577</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2022

	Governmental Activities
	Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 20,915
Cash and Cash Equivalents with Fiscal Agents	1,027,673
<i>Total Assets</i>	1,048,588
 Net Position	
Unrestricted	1,048,588
<i>Total Net Position</i>	\$ 1,048,588

See accompanying notes to the basic financial statements.

Southeast Local School District

Wayne County, Ohio

Statement of Receipts, Disbursements and Changes in Fund Net Position - Modified Cash Basis

Proprietary Funds

For the Fiscal Year Ended June 30, 2022

	Governmental Activities - Internal Service Fund
Operating Receipts	
Charges for Services	\$ 3,239,740
Other Operating Receipts	473,104
	<hr/>
<i>Total Operating Receipts</i>	3,712,844
	<hr/>
Operating Disbursements	
Purchased Services	721,915
Claims	2,979,403
	<hr/>
<i>Total Operating Disbursements</i>	3,701,318
	<hr/>
<i>Operating Gain</i>	11,526
	<hr/>
Non-Operating Receipts	
Interest	6,438
	<hr/>
<i>Change in Net Position</i>	17,964
	<hr/>
<i>Net Position Beginning of Year</i>	1,030,624
	<hr/>
<i>Net Position End of Year</i>	\$ 1,048,588
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2022

	<u>Custodial</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,914</u>
Net Position	
Restricted for Individuals, Organizations and Other Governments	<u>\$ 3,914</u>

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2022

	Custodial
Additions	
Extracurricular Amounts Collected for Other Governments	\$ 7,524
Deductions	
Extracurricular Distributions to Other Governments	3,610
<i>Change in Net Position</i>	3,914
<i>Net Position Beginning of Year</i>	-
<i>Net Position End of Year</i>	\$ 3,914

See accompanying notes to the basic financial statements.

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board; and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organization for which the School District authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District. Based upon the application of these criteria, the School District has no component units.

The School District is associated with two jointly governed organizations, the Wayne County Career Center and the Tri-County Computer Service Association (TCCSA).

A. Wayne County Career Center

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

B. Tri-County Computer Service Association

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 23 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based upon a per pupil charge dependent upon the software package utilized. The TCCSA council of governments consists of a superintendent or designated representative from each participating district. TCCSA is

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

governed by an executive committee chosen from the general membership of the TCCSA council of governments. The executive committee consists of the chairman of each operating committee and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Executive Director at the TCCSA, located at 2125 Eagle Pass, Wooster, Ohio 44691.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

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

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

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

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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

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

B. Fund Accounting

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

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

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

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

Building Fund The building fund is used to account for the receipts and disbursements relating to the costs of acquiring capital facilities.

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

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

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

E. Cash and Investments

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

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

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

During fiscal year 2022, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2022 were \$39,853, which includes \$6,338 assigned from other School District funds.

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-Term Obligations

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

L. Net Position

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

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

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

M. Fund Balance

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

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

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

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

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

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

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

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

N. Extraordinary and Special Items

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

O. Pensions and OPEB

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

P. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2022, the School District has (to the extent it applies to the modified cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates* and certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the School District's financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and 2) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 3 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(C) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2022, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the modified cash basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets and deferred outflows of resources, liabilities and deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

	<u>Net Change in Fund Balance</u>	
	<u>General</u>	<u>Schoolwide Building Program</u>
Cash Basis	\$ (9,642,471)	\$ 87,386
Funds budgeted elsewhere**	(12,236)	-
Adjustment for encumbrances	<u>(324,024)</u>	<u>(583)</u>
Budget Basis	<u>\$ (9,978,731)</u>	<u>\$ 86,803</u>

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

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NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

Deposits At year-end, \$262,069 of the School District's bank balance was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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

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

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Investments

As of June 30, 2022 the School District had the following investment and maturity:

<u>Rating</u>	<u>Entity</u>	<u>Cost</u>	<u>Investment Maturities</u>			<u>Percentage of Total Investment</u>
			<u>(0-12)</u>	<u>(13-36)</u>	<u>More than 36</u>	
	Net Asset Value (NAV):					
AAAm	STAR Ohio	\$ 10,033,958	\$ 10,033,958	\$ -	\$ -	16.19%
	Cost:					
Aaa	Agency Bond	4,502,522	199,202	3,063,437	1,239,883	7.27%
AAAm	Commercial Paper	9,348,557	9,348,557	-	-	15.08%
N/A	Certificates of Deposit	124,563	-	-	124,563	0.20%
AA+	US Treasury Notes	34,695,088	7,247,736	25,250,745	2,196,607	55.97%
AA+	First American Funds	68,140	68,140	-	-	0.11%
AA+	U.S. Treasury Bond	3,213,541	2,673,693	539,848	-	5.18%
		<u>\$ 61,986,369</u>	<u>\$ 29,571,286</u>	<u>\$ 28,854,030</u>	<u>\$ 3,561,053</u>	<u>100.00%</u>

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

Credit Risk STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2022, is 35 days.

Funds Held by Fiscal Agent

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

Segregated Cash

Segregated cash contains monies held in separate accounts to be used for the school building construction project.

NOTE 6 – PROPERTY TAXES

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

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Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 21. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2020, were levied after April 1, 2021 and are collected in 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Holmes, Stark, and Wayne Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 390,839,250	71.69%	\$ 400,296,980	72.50%
Public Utility Personal Property	154,352,610	28.31%	151,824,770	27.50%
Total	\$ 545,191,860	100.00%	\$ 552,121,750	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$ 46.50		\$ 46.00	

NOTE 7 – RISK MANAGEMENT

A. Comprehensive

The School District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the School District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage.

B. Workers' Compensation

The School District participates in the Ohio School Board Association Workers' Compensation Program (GRP), an insurance rating pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. The GRP is intended to achieve the benefit of a reduced premium by virtue of its grouping and representation with other participants in the GRP. Each participant pays its workers' compensation premium to the State

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based on the rate for the GRP rather than its individual rate. The total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

C. Employee Medical Benefits

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

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

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 0.5 percent COLA for calendar year 2021.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2022.

The School District's contractually required contribution to SERS was \$385,979 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

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

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

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

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2022 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$1,142,424 for fiscal year 2022.

Pension Liabilities

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.07765120%	0.06730511%	
Prior Measurement Date	0.06866840%	0.06518229%	
Change in Proportionate Share	0.00898280%	0.00212282%	
Proportionate Share of the Net			
Pension Liability	\$ 2,865,104	\$ 8,605,563	\$ 11,470,667

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Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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

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

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was 28.18%.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 4,766,830	\$ 2,865,104	\$ 1,261,296

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Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

The actuarial assumptions used in the June 30, 2021 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016. An actuarial experience study is done on a quinquennial basis.

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

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

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

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Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 16,114,999	\$ 8,605,563	\$ 2,260,106

Assumption and Benefit Changes since the Prior Measurement Date The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

NOTE 9 - DEFINED BENEFIT OPEB PLANS

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

Plan Description - School Employees Retirement System (SERS)

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

Southeast Local School District
Wayne County, Ohio
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For the Fiscal Year Ended June 30, 2022

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$47,894.

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 partial premium reimbursements will be continued indefinitely. 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 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.08005600%	0.06730500%
Prior Measurement Date	0.07146100%	0.06518200%
Change in Proportionate Share	<u>0.00859500%</u>	<u>0.00212300%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,515,122	\$ (1,419,071)

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, 2021, are presented below:

Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	6.750 percent - 4.40 percent
Medicare	5.125 percent - 4.40 percent

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

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 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,877,424	\$ 1,515,122	\$ 1,225,696
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,166,522	\$ 1,515,122	\$ 1,980,752

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

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

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

The actuarial assumptions used in the June 30, 2021 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2021, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,197,476)	\$ (1,419,071)	\$ (1,604,180)
		Current	
	1% Decrease	Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,596,679)	\$ (1,419,071)	\$ (1,199,442)

Assumption Changes Since the Prior Measurement Date The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.100 percent. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in current year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

NOTE 10 – INTERFUND TRANSFERS

During fiscal year 2022, the general fund transferred \$13,000,000 and \$3,515,000 to the building fund and the school-wide building program fund, respectively. Transfers were used to move receipts in accordance with the school-wide building program and to provide additional resources for the new building project.

NOTE 11 – SET-ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

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

	Capital Improvement Reserve
Set-Aside Restricted Balance, June 30, 2021	\$ -
Current Year Set-Aside Requirement	223,146
Current Year Offset	(499,872)
Total	\$ (276,726)
Balance Carried Forward to Fiscal Year 2023	\$ -
Set-Aside Restricted Balance June 30, 2022	\$ -

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

NOTE 12 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2022.

B. Litigation

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

C. Encumbrance Commitments

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

Fund	Amount
General	\$ 345,161
Schoolwide Building Program	583
Building	3,569,910
Other Governmental	3,637,457
	\$ 7,553,111

D. Contractual Commitments

At June 30, 2022, the School District had the following outstanding contractual commitments:

	Contract Amount	Expenditures as of June 30, 2022	Amount Remaining on Contract
Shaffer Johnston Lichenwalter	\$ 48,740	\$ 35,500	\$ 13,240
Wertz Geotechnical Engineering	17,000	13,935	3,065
BSHM	2,762,500	497,325	2,265,175
CT Taylor	4,564,184	-	4,564,184
	\$ 7,392,424	\$ 546,760	\$ 6,845,664

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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

E. School District Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2022 are finalized and are immaterial to the financial statements.

NOTE 13 – FUND BALANCE

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

	<u>General</u>	<u>Schoolwide Building Program</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable for:					
Unclaimed Funds	\$ 536	\$ -	\$ -	\$ -	\$ 536
Restricted for:					
Permanent Improvements	-	-	47,683,091	1,055,622	48,738,713
Debt Retirement	-	-	-	2,089,760	2,089,760
Food Service Operations	-	-	-	474,352	474,352
Special Trust	-	-	-	4,690	4,690
Extracurricular Activities	-	-	-	21,207	21,207
Auxiliary Services	-	-	-	18,141	18,141
Instructional Programs	-	144,161	-	394,610	538,771
Special Education	-	-	-	5,051	5,051
Data Communications	-	-	-	3,594	3,594
COVID Relief	-	-	-	7,482	7,482
Student Managed Activities	-	-	-	38,191	38,191
Entry Year Programs	-	-	-	800	800
Telecommunity	-	-	-	16,356	16,356
Other	-	-	-	4,775	4,775
Total Restricted	<u>-</u>	<u>144,161</u>	<u>47,683,091</u>	<u>4,134,631</u>	<u>51,961,883</u>
Assigned for:					
Instruction	92,179	-	-	-	92,179
Support Services	228,135	-	-	-	228,135
Public School Support	81,218	-	-	-	81,218
Total Assigned	<u>405,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,245</u>
Unassigned	<u>9,871,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,871,973</u>
Total Fund Balances	<u>\$10,277,754</u>	<u>\$ 144,161</u>	<u>\$47,683,091</u>	<u>\$ 4,134,631</u>	<u>\$ 62,239,637</u>

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 14- LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year consist of the following

	Outstanding 6/30/2021	Additions	Reductions	Outstanding 6/30/2022	Amounts Due in One Year
Direct Borrowings					
Certificates of Participation, Series 2021	\$ -	\$ 35,000,000	\$ -	\$ 35,000,000	\$ 1,765,000

2021 Certificates of Participation

During fiscal year 2022, the School District entered into a certificate of participation agreement with the Ohio School Building Leasing Corporation for the construction of a new school building. As part of the agreement, Board of Education of Southeast Local School District, as lessor, deposited \$35,000,000 with the trustee, U.S Bank National Association. The school building is being leased back to the School District as part of this agreement, which is being held as collateral by the lessor.

The initial term of the Series 2021 lease ends on June 30, 2022, however the School District has the right to renew the Leases for successive one-year terms, each ending June 30, except the final Lease Term, which ends on December 1, 2049. The lease carries an interest rate of 2.5 to 4 percent.

The School District's obligation to pay Base Rent and any other payments required to be made with respect to debt charges on Certificates (collectively, Lease Payments) during a future Lease Term is subject to and dependent upon annual renewal of the Lease by the School District and annual appropriations being made by the School District to pay Lease Payments. In the event no such appropriation is made, the Lease will terminate. There can be no assurance that the Leased Property can be relet for the remainder of the Ground Lease term or that proceeds from any such re-letting of the Leased Property will be sufficient to pay principal of and interest on the Series 2021 Certificates.

Payments will be made on the Series 2021 lease from the permanent improvement fund. Principal and interest requirements to retire certificate of participation bonds outstanding at June 30, 2022 are as follows:

Certificates of Participation, Series 2021		
Fiscal Year Ending	Principal	Interest
2022	1,765,000	1,138,675
2023	1,760,000	1,085,724
2024	1,170,000	1,032,925
2025	765,000	997,824
2026	790,000	974,875
2027-2031	4,390,000	4,418,475
2032-2036	5,340,000	3,467,675
2037-2041	6,460,000	2,349,825
2042-2046	7,530,000	1,279,775
2047-2049	5,030,000	253,625
Total	\$ 35,000,000	\$ 16,999,398

Southeast Local School District
Wayne County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 15 – COVID-19

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

NOTE 16 – SUBSEQUENT EVENTS

On January 9, 2023 the Board of Education approved a resolution to change the name of the School District from Southeast Local School District to Waynedale Local School District.

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**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program/Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 57,389
Cash Assistance:		
School Breakfast Program	10.553	185,121
National School Lunch Program	10.555	472,179
COVID-19 - National School Lunch Program	10.555	12,055
Total Child Nutrition Cluster		<u>726,744</u>
COVID-19 - Pandemic EBT Administrative Costs	10.649	<u>402</u>
Total U.S. Department of Agriculture		<u>727,146</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>		
COVID-19 -Educational Stabilization Fund (ARP ESSER)	84.425D	1,320,027
COVID-19 - Educational Stabilization Fund- (ARP- HCY)	84.425U	266,289
Total Education Stabilization Fund		<u>1,586,316</u>
Special Education Cluster:		
Special Education - Grants to States	84.027A	303,834
COVID-19 Special Education Grants to States	84.027X	36,358
Special Education - Preschool Grants	84.173A	9,594
Total Special Education Cluster		<u>349,786</u>
Title I Grants to Local Educational Agencies	84.010A	684,172
Improving Teacher Quality State Grants	84.367A	90,986
Student Support and Academic Enrichment Program	84.424A	51,906
Total U.S. Department of Education		<u>2,763,166</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 3,490,312</u></u>

The accompanying notes are an integral part of this schedule.

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southeast Local School District, Wayne County, (the School District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Local School District, Wayne County, (the School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 12, 2023, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the finding identified in our audit and described in the accompanying corrective action plan. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 12, 2023

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Southeast Local School District's, Wayne County, (School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Southeast Local School District's major federal program for the year ended June 30, 2022. Southeast Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Southeast Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The School District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 12, 2023

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**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	AL #84.425D & 84.425U – COVID-19 Education Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**SOUTHEAST LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022
(Continued)**

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

FINDING NUMBER 2022-001

Noncompliance – Annual Financial Report

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

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

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

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

Officials' Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

Southeast Local School District

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

James J. Ritchie, Superintendent
Mark Dickerhoof, Treasurer

Waynedale High School

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FAX: 330-698-1432

John R. Lea Middle School

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

Apple Creek Elementary

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

Fredericksburg Elementary

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Fredericksburg, OH 44627
PH 330-695-2741
FAX: 330-695-2116

Holmesville Elementary

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

Mt. Eaton Elementary

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	ORC 117.38 and OAC 117-2-03(b) – Filing GAAP Financial Statements (First issued in 2014)	Not Corrected	The District filed their financial statements on the OCBOA basis. See Finding 2022-001.

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Southeast Local School District

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CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **JUNE 30, 2022**

Finding Number:

2022-001

Planned Corrective Action:

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

Anticipated Completion Date:

N/A

Responsible Contact Person:

Mark Dickerhoof, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



SOUTHEAST LOCAL SCHOOL DISTRICT

WAYNE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/4/2023

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