



***SOUTHEASTERN
LOCAL SCHOOL DISTRICT***

ROSS COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2019

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE
KEITH FABER

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Board of Education
Southeastern Local School District
2003 Lancaster Road
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Southeastern Local School District, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



Keith Faber
Auditor of State
Columbus, Ohio

February 24, 2020

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For the Fiscal Year Ended June 30, 2019

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Independent Auditor's Report

Board of Education
Southeastern Local School District
2003 Lancaster Road
Chillicothe, OH 45601

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southeastern Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2019, and related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Southeastern Local School District, Ross County, Ohio as of June 30, 2019, and the respective changes in financial position, where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include management's discussion and analysis on pages 4-11 and schedules of net pension/OPEB liabilities and pension/OPEB contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

Supplementary and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 16, 2020

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The discussion and analysis of the Southeastern 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, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2019 are as follows:

- Net position of governmental activities increased \$1,229,090.
- General revenues accounted for \$11,660,019, or 79% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, accounted for \$3,058,760 or 21% of total revenues of \$14,718,779.
- The School District had \$13,489,689 in expenses related to governmental activities; only \$3,058,760 of these expenses were offset by program specific charges for services and sales, operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, 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 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. These changes in net position are 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 restricting revenue growth, facility conditions, required educational programs, and other factors.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

In the Statement of Net Position and the Statement of Activities, most of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 10. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General 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 fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating revenues over (under) operating expenses and changes in net position. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for its self-insurance program for employee vision and dental claims. This fund is reported using the accrual basis of accounting.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities, and its private purpose trust fund is used to maintain the financial activity of the School District's scholarship funds.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2019 compared to 2018.

Table 1
Net Position
Governmental Activities

	2019	2018
Assets:		
Current and Other Assets	\$ 17,500,125	\$ 16,316,750
Capital Assets, Net	15,272,341	15,929,402
Total Assets	32,772,466	32,246,152
Deferred Outflows of Resources:		
Pensions and OPEB	4,131,855	4,444,730
Total Deferred Outflows of Resources	4,131,855	4,444,730
Liabilities:		
Current and Other Liabilities	1,203,273	1,270,059
Long-Term Liabilities:		
Due Within One Year	376,318	342,832
Due in More than One Year:		
Net Pension Liabilities	13,035,870	13,449,982
Net OPEB Liabilities	1,676,580	3,111,094
Other Amounts	2,609,785	2,944,626
Total Liabilities	18,901,826	21,118,593
Deferred Inflows of Resources		
Pensions and OPEB	2,223,748	1,152,264
Property Taxes not Levied to Finance the Current Year	2,105,251	1,975,619
Total Deferred Inflows of Resources	4,328,999	3,127,883
Net Position:		
Net Investment in Capital Assets	12,870,047	13,120,768
Restricted	1,190,155	1,243,344
Unrestricted	(386,706)	(1,919,706)
Total Net Position	\$ 13,673,496	\$ 12,444,406

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability is the second largest single liability report by the School District at June 30, 2019 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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

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

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

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

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

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

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

Total net position of the School District as a whole increased \$1,229,090. The increase to current and other assets is primarily due to an increase in cash with the School District at fiscal year-end due to higher revenues received than expenses paid and also due to a net OPEB asset related to STRS which did not exist at the end of the prior year. Deferred outflows of resources increased primarily due to pension and OPEB activity. Long-term liabilities decreased due to net pension and OPEB liabilities and principal payments on debt obligations. Deferred inflows of resources increased due primarily to pension and OPEB activity.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2019 and 2018

Table 2
Changes in Net Position

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 1,507,829	\$ 1,456,199
Operating Grants and Contributions	1,550,931	1,545,119
Total Program Revenues	<u>3,058,760</u>	<u>3,001,318</u>
General Revenues		
Property Taxes	2,229,838	2,230,882
Income Taxes	3,991	3,873
Grants and Entitlements Not Restricted to Specific Programs	9,120,808	9,013,311
Investment Earnings	222,762	109,971
Miscellaneous	82,620	68,630
Total General Revenues	<u>11,660,019</u>	<u>11,426,667</u>
Total Revenues	<u>14,718,779</u>	<u>14,427,985</u>
Program Expenses		
Instruction:		
Regular	6,464,138	3,858,121
Special	1,742,499	965,608
Other	2,562	1,771
Support Services:		
Pupils	494,345	343,536
Instructional Staff	116,579	94,216
Board of Education	17,119	16,681
Administration	644,159	175,132
Fiscal	334,412	298,258
Business	140,796	135,239
Operation and Maintenance of Plant	1,272,502	1,098,286
Pupil Transportation	1,107,873	870,888
Central	69,909	54,056
Operation of Non-Instructional Services	444,202	426,726
Extracurricular Activities	569,404	474,562
Interest and Fiscal Charges	69,190	166,356
Total Expenses	<u>13,489,689</u>	<u>8,979,436</u>
Change in Net Position	1,229,090	5,448,549
Net Position, Beginning of Year	<u>12,444,406</u>	<u>6,995,857</u>
Net Position, End of Year	<u>\$ 13,673,496</u>	<u>\$ 12,444,406</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Charges for services and sales increased as a result of an increase in tuition and fees. Miscellaneous general revenues increased due to a refund received in the current year. Interest revenue increased as a result of higher balances, market values, and the maturity of a certificate of deposit. The School District's levy expired December 30, 2004 and the only income tax collections are for delinquencies.

The increase in expenses for the School District as a whole are primarily due to increases in pension expenses which were partially offset by increases in OPEB gains. The most significant program expenses for the School District are regular instruction, operation and maintenance of plant, special instruction and pupil transportation. These programs account for 78 percent of the total governmental activities. Regular instruction, which accounts for 48 percent of the total, represents costs associated with providing general educational services. Operation and maintenance of plant, which represents 9 percent of the total, represents costs associated with operating and maintaining the School District's facilities. Special instruction, which represents 13 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupil transportation, which represents 8 percent of the total, represents costs associated with student transportation. Regular and special instruction, administration, and pupil transportation increased due to pension and OPEB expenses.

The majority of the funding for the most significant programs indicated above is from operating grants and contributions, property taxes, and grants and entitlements not restricted for specific programs. Operating grants and contributions, property taxes, and grants and entitlements not restricted for specific programs account for 88 percent of total revenues for governmental activities.

The Statement of Activities shows the cost of program services and the charges for services and sales, operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported primarily by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2019		2018	
Program Expenses				
Instruction:				
Regular	\$ 6,464,138	\$ 5,815,057	\$ 3,858,121	\$ 3,307,569
Special	1,742,499	613,162	965,608	(74,265)
Other	2,562	(14,214)	1,771	(15,121)
Support Services:				
Pupils	494,345	415,739	343,536	261,286
Instructional Staff	116,579	101,023	94,216	74,929
Board of Education	17,119	15,233	16,681	13,827
Administration	644,159	573,236	175,132	145,220
Fiscal	334,412	288,200	298,258	229,030
Business	140,796	125,688	135,239	112,551
Operation and Maintenance of Plant	1,272,502	1,132,066	1,098,286	910,409
Pupil Transportation	1,107,873	997,660	870,888	735,830
Central	69,909	62,208	54,056	44,807
Operation of Non-Instructional Services	444,202	58,484	426,726	20,517
Extracurricular Activities	569,404	181,254	474,562	64,493
Interest and Fiscal Charges	69,190	66,133	166,356	147,036
Total	<u>\$ 13,489,689</u>	<u>\$ 10,430,929</u>	<u>\$ 8,979,436</u>	<u>\$ 5,978,118</u>

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$14,800,139 and expenditures and other financing uses of \$14,429,947.

The School District has one major fund: the General Fund. The General Fund had \$13,239,173 in revenues and other financing sources and \$12,774,837 in expenditures and other financing uses. The General Fund's balance increased \$464,336. The increase is due primarily to an increase to intergovernmental, interest, and tuition and fees revenues and a slight decrease in expenditures.

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. During the course of fiscal year 2019, the School District amended its General Fund budget.

For the General Fund, final estimated revenue was \$13,166,910, which increased from the original estimates of \$12,482,199. The increase is due to increases to intergovernmental revenue. For the General Fund, final budgeted expenditures were \$13,253,598, which increased from the original estimates of \$13,086,848. Appropriations were amended to reflect an increase necessary for regular instruction and operation and maintenance of plant. The School District's actual budget basis revenues were \$22,447 above final estimates. The School District's actual budget basis expenditures were \$39,307 under the final budget due to conservative budgeting by the School District.

The School District's ending unobligated General Fund budgetary fund balance was \$12,397,231.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the School District had \$15,272,341 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and library books and textbooks. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2019 balances compared to 2018.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	\$ 705,000	\$ 705,000
Construction in Progress	-	130,978
Land Improvements	705,754	871,467
Buildings and Improvements	12,625,338	13,167,244
Furniture and Equipment	427,796	308,191
Vehicles	808,450	737,159
Library Books and Textbooks	3	9,363
Totals	\$ 15,272,341	\$ 15,929,402

The overall decrease in capital assets of \$657,061 is due to current year depreciation expense, which was partially offset by current year additions.

Southeastern Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Debt

At June 30, 2019, the School District had \$2,402,294 in bonds, certificate of participation outstanding and a capital lease with \$369,984 due within one year. Table 5 summarizes the bond and certificate of participation outstanding. The bonds were issued for school construction and the certificate of participation was issued for the addition of a new athletic complex. For additional information on debt, see Note 14 to the basic financial statements.

Table 5
Outstanding Debt at Year End

	2019	2018
2007 General Obligation Refunding Bonds	\$ 1,386,528	\$ 1,687,086
Certificate of Participation	964,000	1,015,000
Capital Lease	51,766	1,355
	<u>\$ 2,402,294</u>	<u>\$ 2,703,441</u>

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 Phil Hartman, Treasurer at Southeastern Local School District, 2003 Lancaster Road, Chillicothe, Ohio 45601.

Southeastern Local School District
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 14,130,633
Accrued Interest Receivable	40,460
Intergovernmental Receivable	204,474
Prepaid Items	12,853
Taxes Receivable	2,412,028
Noncurrent Assets:	
Nondepreciable Capital Assets	705,000
Depreciable Capital Assets, Net	14,567,341
Net OPEB Asset	699,677
<i>Total Assets</i>	32,772,466
Deferred Outflows of Resources	
Pension and OPEB:	
State Teachers Retirement System	3,101,053
School Employees Retirement System	1,030,802
<i>Total Deferred Outflows of Resources</i>	4,131,855
Liabilities	
Current Liabilities:	
Accounts Payable	121,014
Accrued Wages and Benefits Payable	860,360
Intergovernmental Payable	197,973
Accrued Interest Payable	5,300
Matured Compensated Absences Payable	17,027
Claims Payable	1,599
Noncurrent Liabilities:	
Due Within One Year	376,318
Due in More Than One Year	
Net Pension Liability (See Note 11)	13,035,870
Net OPEB Liability (See Note 12)	1,676,580
Other Amounts Due in More Than One Year	2,609,785
<i>Total Liabilities</i>	18,901,826
Deferred Inflows of Resources	
Pensions and OPEB:	
State Teachers Retirement System	1,814,737
School Employees Retirement System	409,011
Property Taxes not Levied to Finance Current Year Operations	2,105,251
<i>Total Deferred Inflows of Resources</i>	4,328,999
Net Position	
Net Investment in Capital Assets	12,870,047
Restricted for:	
Debt Service	421,775
Capital Outlay	6,232
Classroom Facilities Maintenance	685,187
Other Purposes	76,961
Unrestricted (Deficit)	(386,706)
<i>Total Net Position</i>	\$ 13,673,496

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$ 6,464,138	\$ 603,341	\$ 45,740	\$ (5,815,057)
Special	1,742,499	133,370	995,967	(613,162)
Other	2,562	269	16,507	14,214
Support Services:				
Pupils	494,345	49,551	29,055	(415,739)
Instructional Staff	116,579	12,217	3,339	(101,023)
Board of Education	17,119	1,886	-	(15,233)
Administration	644,159	70,923	-	(573,236)
Fiscal	334,412	34,934	11,278	(288,200)
Business	140,796	14,611	497	(125,688)
Operation and Maintenance of Plant	1,272,502	138,113	2,323	(1,132,066)
Pupil Transportation	1,107,873	110,213	-	(997,660)
Central	69,909	7,701	-	(62,208)
Operation of Non-Instructional Services	444,202	105,717	280,001	(58,484)
Extracurricular Activities	569,404	221,926	166,224	(181,254)
Interest and Fiscal Charges	69,190	3,057	-	(66,133)
<i>Totals</i>	<u>\$ 13,489,689</u>	<u>\$ 1,507,829</u>	<u>\$ 1,550,931</u>	<u>(10,430,929)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				1,930,342
Debt Service				269,371
Classroom Facilities				30,125
Income Taxes				3,991
Grants and Entitlements not Restricted to Specific Programs				9,120,808
Investment Earnings				222,762
Miscellaneous				82,620
<i>Total General Revenues</i>				<u>11,660,019</u>
<i>Change in Net Position</i>				1,229,090
<i>Net Position Beginning of Year</i>				<u>12,444,406</u>
<i>Net Position End of Year</i>				<u>\$ 13,673,496</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Balance Sheet
Governmental Funds
June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 12,966,166	\$ 1,148,131	\$ 14,114,297
Accrued Interest Receivable	40,460	-	40,460
Interfund Receivable	125,051	-	125,051
Prepaid Items	12,853	-	12,853
Intergovernmental	103,293	101,181	204,474
Taxes	2,084,747	327,281	2,412,028
<i>Total Assets</i>	<u>\$ 15,332,570</u>	<u>\$ 1,576,593</u>	<u>\$ 16,909,163</u>
Liabilities			
Accounts Payable	\$ 116,641	\$ 4,373	\$ 121,014
Accrued Wages and Benefits Payable	764,352	96,008	860,360
Interfund Payable	-	125,051	125,051
Matured Compensated Absences Payable	17,027	-	17,027
Intergovernmental Payable	172,690	25,283	197,973
<i>Total Liabilities</i>	<u>1,070,710</u>	<u>250,715</u>	<u>1,321,425</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	1,820,094	285,157	2,105,251
Unavailable Revenue - Delinquent Taxes	101,335	16,472	117,807
Unavailable Revenue - Interest	12,264	-	12,264
Unavailable Revenue - Grants	-	95,942	95,942
<i>Total Deferred Inflows of Resources</i>	<u>1,933,693</u>	<u>397,571</u>	<u>2,331,264</u>
Fund Balances			
Nonspendable	17,455	-	17,455
Restricted	-	1,173,683	1,173,683
Assigned	397,579	-	397,579
Unassigned	11,913,133	(245,376)	11,667,757
<i>Total Fund Balances</i>	<u>12,328,167</u>	<u>928,307</u>	<u>13,256,474</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 15,332,570</u>	<u>\$ 1,576,593</u>	<u>\$ 16,909,163</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2019*

Total Governmental Fund Balances \$ 13,256,474

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,272,341

Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.

Taxes	117,807
Interest	12,264
Intergovernmental	<u>95,942</u>

Total 226,013

The net pension and OPEB asset/liabilities are not due and receivable/payable in the current period; therefore, the assets/liabilities and related deferred inflows/outflows are not reported in the funds.

Deferred outflows of resources related to pensions and OPEB	4,131,855
Deferred inflows of resources related to pensions and OPEB	(2,223,748)
Net Pension Liability	(13,035,870)
Net OPEB Asset	699,677
Net OPEB Liability	<u>(1,676,580)</u>

Total (12,104,666)

An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 14,737

Long-term liabilities, including bonds, unamortized premiums on refunding bonds, certificate of participation obligations, capital leases, accrued interest payable and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable	(5,300)
Compensated Absences	(583,809)
Certificate of Participation Obligations	(964,000)
Capital Lease	(51,766)
Refunding Bonds	(1,305,000)
Unamortized Premiums on Refunding Bonds	<u>(81,528)</u>

Total (2,991,403)

Net Position of Governmental Activities \$ 13,673,496

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 1,920,036	\$ 297,857	\$ 2,217,893
Income Taxes	3,991	-	3,991
Intergovernmental	9,740,450	859,957	10,600,407
Interest	215,902	-	215,902
Tuition and Fees	1,157,475	-	1,157,475
Rent	36,252	-	36,252
Extracurricular Activities	12,112	192,792	204,904
Gifts and Donations	-	29,000	29,000
Customer Sales and Services	4,554	104,644	109,198
Miscellaneous	82,620	-	82,620
<i>Total Revenues</i>	<u>13,173,392</u>	<u>1,484,250</u>	<u>14,657,642</u>
Expenditures			
Current:			
Instruction:			
Regular	6,385,640	69,411	6,455,051
Special	1,365,386	491,553	1,856,939
Other	2,327	-	2,327
Support Services:			
Pupils	526,958	44,114	571,072
Instructional Staff	111,901	5,116	117,017
Board of Education	16,757	-	16,757
Administration	789,895	-	789,895
Fiscal	307,253	17,280	324,533
Business	132,636	7,652	140,288
Operation and Maintenance of Plant	1,223,911	3,559	1,227,470
Pupil Transportation	956,560	-	956,560
Central	67,161	-	67,161
Operation of Non-Instructional Services	-	429,186	429,186
Extracurricular Activities	279,189	210,256	489,445
Capital Outlay	438,429	34,083	472,512
Debt Service:			
Principal	66,370	285,000	351,370
Interest and Fiscal Charges	27,748	57,900	85,648
<i>Total Expenditures</i>	<u>12,698,121</u>	<u>1,655,110</u>	<u>14,353,231</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>475,271</u>	<u>(170,860)</u>	<u>304,411</u>
Other Financing Sources (Uses)			
Transfers In	-	76,716	76,716
Inception of Capital Lease	65,781	-	65,781
Transfers Out	(76,716)	-	(76,716)
<i>Total Other Financing Sources (Uses)</i>	<u>(10,935)</u>	<u>76,716</u>	<u>65,781</u>
<i>Net Change in Fund Balances</i>	464,336	(94,144)	370,192
<i>Fund Balances at Beginning of Year</i>	<u>11,863,831</u>	<u>1,022,451</u>	<u>12,886,282</u>
<i>Fund Balances at End of Year</i>	<u>\$ 12,328,167</u>	<u>\$ 928,307</u>	<u>\$ 13,256,474</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019*

Net Change in Fund Balances-Total Governmental Funds	\$	370,192
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between the capital asset additions and the amount of depreciation expense for the current period.		
Capital Asset Additions	472,512	
Depreciation	<u>(1,129,573)</u>	
Total		(657,061)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Interest	6,860	
Taxes	11,945	
Intergovernmental	<u>42,332</u>	
Total		61,137
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.		
		15,558
Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		
		285,000
Repayments of certificate of participation and capital lease obligations are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		
		66,370
Inception of capital leases in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities.		
		(65,781)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities with the exception of interest earnings.		
		(11,377)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,028,364
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability (asset) are reported as pension expense (gain) in the statement of activities.		
		135,580
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences	208	
Decrease in Interest Payable	<u>900</u>	
Total		<u>1,108</u>
Net Change in Net Position of Governmental Activities	\$	<u>1,229,090</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 12,482,199	\$ 13,166,910	\$ 13,189,357	\$ 22,447
Total Expenditures and Other Financing Uses	<u>13,086,848</u>	<u>13,253,598</u>	<u>13,214,291</u>	<u>39,307</u>
Net Change in Fund Balance	(604,649)	(86,688)	(24,934)	61,754
Fund Balance at Beginning of Year	12,198,056	12,198,056	12,198,056	-
Prior Year Encumbrances Appropriated	<u>224,109</u>	<u>224,109</u>	<u>224,109</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 11,817,516</u>	<u>\$ 12,335,477</u>	<u>\$ 12,397,231</u>	<u>\$ 61,754</u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Fund Net Position
Governmental Activities
Internal Service Fund
June 30, 2019

	<u>Internal Service</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 16,336</u>
<i>Total Assets</i>	<u>16,336</u>
LIABILITIES:	
Claims Payable	<u>1,599</u>
<i>Total Liabilities</i>	<u>1,599</u>
NET POSITION:	
Unrestricted	<u>14,737</u>
<i>Total Net Position</i>	<u><u>\$ 14,737</u></u>

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2019

	<u>Internal Service</u>
OPERATING REVENUES:	
Charges for Services	\$ 77,384
<i>Total Operating Revenues</i>	<i>77,384</i>
OPERATING EXPENSES:	
Claims	88,761
<i>Total Operating Expenses</i>	<i>88,761</i>
<i>Change in Net Position</i>	<i>(11,377)</i>
Net Position at Beginning of Year	26,114
Net Position at End of Year	\$ 14,737

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Cash Flows
Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2019

	Internal Service
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided	\$ 77,384
Cash Payments for Claims	(92,531)
<i>Net Cash Used by Operating Activities</i>	(15,147)
Cash and Cash Equivalents at Beginning of Year	31,483
Cash and Cash Equivalents at End of Year	\$ 16,336
<i>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</i>	
Operating Loss	\$ (11,377)
<i>Changes in Liabilities:</i>	
Decrease in Claims Payable	(3,770)
<i>Net Cash Used by Operating Activities</i>	\$ (15,147)

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Fund	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 56,296	\$ 66,652
Accrued Interest Receivable	299	-
<i>Total Assets</i>	56,595	66,652
Liabilities		
Current Liabilities:		
Undistributed Monies		66,652
<i>Total Liabilities</i>		\$ 66,652
Net Position		
Held in Trust for Scholarships	56,595	
<i>Total Net Position</i>	\$ 56,595	

See accompanying notes to the basic financial statements.

Southeastern Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	\$ 5,945
Interest	240
<i>Total Additions</i>	6,185
Deductions	
Payments in Accordance with Trust Agreements	10,168
<i>Total Deductions</i>	10,168
Change in Net Position	(3,983)
Net Position Beginning of Year	60,578
Net Position End of Year	\$ 56,595

See accompanying notes to the basic financial statements.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1938 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 140 square miles. It is located in Ross County and includes the Hamlets of Londonderry, Higby, Harrison and Richmond Dale and portions of Liberty, Jefferson, Harrison, Springfield, Franklin and Scioto Townships. It is staffed by 75 non-certificated employees, and 73 certificated full-time teaching personnel who provide services to 1,081 students and other community members. The School District currently operates a K-12 instructional building.

Reporting Entity:

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

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

The following entities which perform activities within the School District’s boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Ross-Pike Educational Service District

The School District participates in six organizations, four of which are defined as jointly governed organizations, one is a public entity shared risk pool, and one is an insurance purchasing pool. These organizations are the the Metropolitan Education Technology Association (META), the Pickaway-Ross Career and Technology Center, the Great Seal Education Network of Tomorrow, School Study Council of Ohio, the Ross County School Employees Insurance Consortium, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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 Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type. However, the School District has no activities that are classified as business-type.

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

Fund Financial Statements:

During the 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 fund financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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 used by this School District can be classified using three categories: governmental, proprietary and fiduciary.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

General Fund

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

The other governmental funds of the School District account for grants and other resources, debt service and capital projects whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund

The Internal Service Fund accounts 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 School District's only internal service fund accounts for the self-insurance program for employee vision and dental claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's fiduciary funds are an agency fund, which is used to maintain financial activity of the School District's student managed activities, and a private purpose trust fund, which is used to maintain the financial activity of the School District's scholarship funds.

Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows/outflows of resources, and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Like the government-wide statements, proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, all liabilities and all deferred inflows/outflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred inflows and outflows of resources related to net pension and OPEB liabilities (assets), and the recording of net pension and OPEB liabilities (assets).

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for pensions and other postemployment benefits. The deferred outflows of resources related to the pensions and postemployment benefits are explained in Notes 11 and 12. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes, interest and grants which are not collected in the available period, pensions, and postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is primarily due to delinquent property taxes, interest and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension and postemployment benefits are reported on the Statement of Net Position. (See Notes 11 and 12)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$215,902.

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 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000 dollars. The School District does not have any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets, except land, are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 20 to 50 years for buildings and improvements, 5 to 20 years for furniture and equipment, 10 to 25 years for land improvements, 5 to 15 years for textbooks and library books, and 10 years for vehicles.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal yearend, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 10 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

H. Accrued Liabilities and Long-Term Obligations

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

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

I. Fund Balance

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

J. Estimates

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

K. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred inflows and outflows related to the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the School District's \$1,190,155 in restricted net position, none is restricted by enabling legislation.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Pensions and Other PostEmployment Benefits (OPEB)

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services to the various funds to cover the costs of the self insurance program. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund.

O. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

NOTE 3 – ACCOUNTABILITY

At June 30, 2019, the Lunchroom, Title VI-B, Title I, and Miscellaneous Federal Grant Special Revenue Funds had deficit fund balances of \$98,346, \$45,192, \$94,809, and \$7,029, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance for governmental fund types (GAAP basis).

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$464,336
Adjustments:	
Revenue Accruals	(37,422)
Expenditure Accruals	(28,326)
Perspective Difference:	
Activity of Funds Reclassified for	
GAAP Reporting Purposes	547
Encumbrances	<u>(424,069)</u>
Budget Basis	<u><u>(\$24,934)</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,680,952 of the School District's bank balance of \$9,548,936 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be 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 requires 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.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Investments As of June 30, 2019, the School District had the following investments:

	Fair Value	Less than 12 months	1-2 Years	3-5 Years
Star Ohio	\$5,014,362	\$5,014,362	\$0	\$0
Total Investment Portfolio	\$5,014,362	\$5,014,362	\$0	\$0

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2019. As discussed further in Note 2D, STAR Ohio is reported at its share price.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have an investment policy. The School District manages its' exposure to declines in fair values by limiting its investments to STAR Ohio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does have an investment policy which allows only investments in STAR Ohio and Certificates of Deposit. The School District has invested 100 percent in STAR Ohio.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 6 – PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2019 taxes were collected are:

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$94,827,910	90.01%	\$95,927,490	90.14%
Public Utility	10,519,080	9.99%	10,495,940	9.86%
Total Assessed Value	\$105,346,990	100.00%	\$106,423,430	100.00%
Tax rate per \$1,000 of assessed valuation	\$31.80		\$31.80	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2019, was \$159,327 in the General Fund, \$25,652 in the other governmental funds.

NOTE 7 – INCOME TAX

The School District levied a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, for five years. This levy expired on December 31, 2004 and was not renewed. The School District continues to receive delinquent income taxes. Income tax revenue is credited to the General Fund. Income tax revenues received during the year were \$3,991.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 8 – RECEIVABLES

Receivables at June 30, 2019, consisted of property taxes, interest, intergovernmental grants and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of the intergovernmental receivables follows:

Major Fund:	
General	\$103,293
Non-Major Special Revenue Funds:	
Title VI-B	28,597
Title I	61,528
Early Childhood	5,239
Miscellaneous Federal Grants	<u>5,817</u>
Total	<u>\$204,474</u>

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019, was as follows:

	Ending Balance 06/30/18	Additions	Disposals	Ending Balance 06/30/19
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 705,000	\$ -	\$ -	\$ 705,000
Construction in Progress	<u>130,978</u>	-	<u>(130,978)</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>835,978</u>	<u>-</u>	<u>(130,978)</u>	<u>705,000</u>
Capital Assets Being Depreciated				
Land Improvements	3,280,752	-	-	3,280,752
Buildings and Improvements	24,991,012	230,683	-	25,221,695
Furniture and Equipment	882,826	190,364	(59,446)	1,013,744
Vehicles	2,149,925	182,443	(196,328)	2,136,040
Library Books and Textbooks	<u>406,010</u>	-	-	<u>406,010</u>
Total Capital Assets, Being Depreciated	<u>31,710,525</u>	<u>603,490</u>	<u>(255,774)</u>	<u>32,058,241</u>
Less Accumulated Depreciation:				
Land Improvements	(2,409,285)	(165,713)	-	(2,574,998)
Buildings and Improvements	(11,823,768)	(772,589)	-	(12,596,357)
Furniture and Equipment	(574,635)	(70,759)	59,446	(585,948)
Vehicles	(1,412,766)	(111,152)	196,328	(1,327,590)
Library Books and Textbooks	<u>(396,647)</u>	<u>(9,360)</u>	-	<u>(406,007)</u>
Total Accumulated Depreciation	<u>(16,617,101)</u>	<u>(1,129,573)</u>	<u>255,774</u>	<u>(17,490,900)</u>
Total Capital Assets Being Depreciated, Net	<u>15,093,424</u>	<u>(526,083)</u>	<u>-</u>	<u>14,567,341</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,929,402</u>	<u>\$ (526,083)</u>	<u>\$ (130,978)</u>	<u>\$ 15,272,341</u>

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 – CAPITAL ASSETS (continued)

Depreciation expense was charged to government functions as follows:

Regular Instruction	\$905,476
Other Instruction	119
Instructional Staff	556
Administration	313
Business	508
Operation and Maintenance of Plant	15,140
Pupil Transportation	107,348
Operation of Non Instructional Services	5,445
Extracurricular Activities	94,668
	\$1,129,573

NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted with Liberty Mutual Insurance for property and fleet insurance, and inland marine coverage. General liability coverage was provided by the Ohio School Plan. Coverage provided was as follows:

Building and Contents replacement cost (\$2,500 deductible)	\$49,246,036
Automobile Liability (\$1,000 deductible)	
Bodily Injury - Each person	1,000,000
Bodily Injury - Each accident	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

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

Vision and dental insurance is offered to employees through a self-insurance program. The claims liability of \$1,599 reported in the Internal Service Fund at June 30, 2019 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

Changes in claims payable for the past two fiscal years is as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2018	\$7,007	\$79,494	\$81,132	\$5,369
2019	5,369	88,761	92,531	1,599

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – RISK MANAGEMENT (continued)

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmangement provides administrative, cost control and actuarial services to the GRP.

The School District is a member of the Ross County Insurance Consortium, a public entity shared risk pool (Note 17), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Ross County Insurance Consortium as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program.

Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the Plan due up to the date of termination plus extended benefits, if any, provided under the Plan. Such claims and expenses shall be paid from the funds of the Council.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension 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 and OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system'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 proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty 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.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2019.

The School District's contractually required contribution to SERS was \$248,396 for fiscal year 2019. Of this amount \$12,676 is reported as an intergovernmental payable.

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. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 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 unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% 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 fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$737,568 for fiscal year 2019. Of this amount \$117,812 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0604476%	0.04354207%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0523479%</u>	<u>0.04345282%</u>	
Change in Proportionate Share	<u>0.0080997%</u>	<u>0.00008925%</u>	
Proportion of the Net Pension Liability	\$3,461,946	\$9,573,924	\$13,035,870
Pension Expense (Gain)	\$346,687	\$898,485	\$1,245,172

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$189,866	\$220,995	\$410,861
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	253,641	312,349	565,990
Changes of assumptions	78,178	1,696,680	1,774,858
School District contributions subsequent to the measurement date	<u>248,396</u>	<u>737,568</u>	<u>985,964</u>
Total	<u>\$770,081</u>	<u>\$2,967,592</u>	<u>\$3,737,673</u>
Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$0	\$62,523	\$62,523
Differences between projected and actual investment earnings	95,920	580,552	676,472
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>112,264</u>	<u>97,599</u>	<u>209,863</u>
Total	<u>\$208,184</u>	<u>\$740,674</u>	<u>\$948,858</u>

\$985,964 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$345,988	\$822,739	\$1,168,727
2021	110,542	651,290	761,832
2022	(113,612)	132,427	18,815
2023	(29,417)	(117,106)	(146,523)
Total	\$313,501	\$1,489,350	\$1,802,851

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five-year period ended June 30, 2015.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

The long-term return expectation for the Pension Plan 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 rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,876,412	\$3,461,946	\$2,276,011

Assumptions and Benefit Changes Since the Prior Measurement Date - With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Payroll Increases	3.0%
Investment Rate of Return	7.45 percent, net of investment expenses
Discount Rate of Return	7.45%
Cost-of-Living Adjustments (COLA)	0%

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<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	<u>1.00</u>	2.25 %
Total	<u><u>100.00 %</u></u>	

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. 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 Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$13,981,455	\$9,573,924	\$5,843,546

Assumptions and Benefit Changes Since the Prior Measurement Date - There were no changes in assumptions or benefit terms since the prior measurement date.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2019, none of the School District’s members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability (asset).

School Employees Retirement System

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

School Employees Retirement System (continued)

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 fiscal year 2019, .5 percent of covered payroll was made 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 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 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 2019, the School District's surcharge obligation was \$33,204.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$42,004 for fiscal year 2019.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)

The net OPEB (asset) liability was measured as of June 30, 2018, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB (asset) liability 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability (Asset) - Current Year	0.06043320%	0.04354207%	
Proportionate Share of the Net OPEB Liability (Asset) - Prior Year	<u>0.05275200%</u>	<u>0.04345282%</u>	
Change in Proportionate Share	<u>0.00768120%</u>	<u>-0.00008925%</u>	
Proportion Share of the Net OPEB Liability	\$1,676,580	\$0	\$1,676,580
Proportion Share of the Net OPEB (Asset)	\$0	\$699,677	\$699,677
OPEB Expense (Gain)	\$68,917	(\$1,449,669)	(\$1,380,752)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$27,368	\$81,723	\$109,091
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	190,953	51,738	242,691
School District contributions subsequent to the measurement date	<u>42,400</u>	<u>0</u>	<u>42,400</u>
Total	<u>\$260,721</u>	<u>\$133,461</u>	<u>\$394,182</u>
Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$0	\$40,765	\$40,765
Differences between projected and actual investment earnings	2,515	79,933	82,448
Changes of assumptions	150,629	953,365	1,103,994
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>47,683</u>	<u>0</u>	<u>47,683</u>
Total	<u>\$200,827</u>	<u>\$1,074,063</u>	<u>\$1,274,890</u>

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (continued)

\$42,400 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	(\$53,098)	(\$167,424)	(\$220,522)
2021	(33,215)	(167,424)	(200,639)
2022	29,758	(167,424)	(137,666)
2023	30,829	(149,272)	(118,443)
2024	30,654	(142,908)	(112,254)
Thereafter	12,566	(146,150)	(133,584)
Total	\$17,494	(\$940,602)	(\$923,108)

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 are presented below:

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

Valuation Date	June 30, 2018
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation
Price Inflation	3.00%
Salary increases, including price inflation	3.50% - 18.20%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	3.63%
Measurement Date	3.70%
Medical Trend Assumption	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

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

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

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

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

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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 of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%).

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$2,034,398	\$1,676,580	\$1,393,255

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,352,693	\$1,676,580	\$2,105,465

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

Assumptions and Benefit Changes Since the Prior Measurement Date - The following changes in key methods and assumptions as presented below:

(1)	Discount Rate:		
	Prior Measurement Date	3.63%	
	Measurement Date	3.70%	
(2)	Municipal Bond Index Rate:		
	Prior Measurement Date	3.56%	
	Measurement Date	3.62%	
(3)	Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
	Prior Measurement Date	3.63%	
	Measurement Date	3.70%	

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45%	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

Experience Studies — Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

<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	<u>1.00</u>	2.25 %
Total	<u><u>100.00 %</u></u>	

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB (asset) liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The following table represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OEPB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB (asset) liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

	1% Decrease in Discount Rate (6.45%)	Current Discount Rate (7.45%)	1% Increase in Discount Rate (8.45%)
School District's proportionate share of the net OPEB (asset) liability	(\$599,688)	(\$699,677)	(\$783,712)
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB (asset) liability	(\$778,968)	(\$699,677)	(\$619,150)

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

NOTE 13 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit of sick leave accumulation for all personnel. Upon retirement, payment is made for one-fourth of up to 120 days of their accrued, but unused sick leave credit for all employees. Certified employees receive additional amounts based on length of service as follows:

Length of Service	Additional Compensation
10 years	\$10 per day over 120
11 - 20 years	\$20 per day over 120
21 years and over	\$30 per day over 120

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 13 – EMPLOYEE BENEFITS (continued)

Insurance Benefits

The School District provides life and accidental death and dismemberment insurance to all full-time employees through Mutual of Omaha.

Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2019 were as follows:

	Amount Outstanding 6/30/18	Additions	Deductions	Amount Outstanding 6/30/19	Due in One Year
2007 General Obligation Refunding Bonds - 3.70%-4.00% Premium	\$ 1,590,000 97,086	\$ - -	\$ 285,000 15,558	\$ 1,305,000 81,528	\$ 300,000 -
Total Long-Term Bonds and Loans	1,687,086	-	300,558	1,386,528	300,000
Net Pension Liability:					
STRS	10,322,311	-	748,387	9,573,924	-
SERS	3,127,671	334,275	-	3,461,946	-
Total Net Pension Liability	13,449,982	334,275	748,387	13,035,870	-
Net OPEB Liability:					
STRS	1,695,369	-	1,695,369	-	*
SERS	1,415,725	260,855	-	1,676,580	-
Total Net OPEB Liability	3,111,094	260,855	1,695,369	1,676,580	-
Certificate of Participation Payable	1,015,000		51,000	964,000	54,000
Capital Lease	1,355	65,781	15,370	51,766	15,984
Compensated Absences	584,017	795,509	795,717	583,809	6,334
Total General Long-Term Obligations	<u>\$ 19,848,534</u>	<u>\$ 1,456,420</u>	<u>\$ 3,606,401</u>	<u>\$ 17,698,553</u>	<u>\$ 376,318</u>

*OPEB for STRS has a Net OPEB asset in the amount of \$699,677 as of June 30, 2019.

2007 General Obligation Refunding Bonds – The School District issued \$2,850,000 in refunding bonds in 2007 for the purpose of repaying a portion of the general obligation bonds issued in 2000. The refunding bonds consisted of \$2,730,000 in serial bonds and \$120,000 in capital appreciation bonds. The serial bonds were issued for a fifteen year period with final maturity in December 2022. Capital appreciation bonds of \$255,000 matured during 2016 and \$265,000 matured in 2017. The bonds are being retired from the Bond Retirement Fund.

The serial bonds, issued at \$2,730,000 maturing on or after December 1, 2017, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after June 1, 2017 at par, which is 100% of the face value of the Current Interest Refunding Bonds.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. The refunding bonds are payable through their final maturities solely from tax revenues received from a bond tax levy. The tax revenue available for these refunding bonds for 2019 was \$282,521 and principal and interest paid was \$342,900. The coverage ratio for these refunding bonds was .8239 for the year ended June 30, 2019.

In prior years, the School District entered into a certificate of participation obligation for the construction of a new athletic complex. The School District is leasing the project from Rickenbacker Port Authority. Rickenbacker Port Authority will retain title to the project during the certificate term. The School District will make semi-annual payments to US Bank. Interest rates are based on a calculation of the TBMA Index. The certificate is renewable annually and expires in 2032. The intention of the School District is to renew the certificate annually.

Principal payments in fiscal year 2019 totaled \$51,000 for the certificate of participation in the governmental funds.

At year-end, capital assets constructed under this certificate have been capitalized as part of buildings and improvements in the statement of net position for governmental activities in the amount of \$1,767,146. The School District has contributed additional monies for this project.

In 2015, the School District entered into a lease purchase agreement for copiers. The term of the lease is 48 months. The copiers were capitalized in the amount of \$59,446. Payments are being made from the general fund. The annual rate for the lease is 4.65%. This lease was paid in full during the fiscal year and the copiers were replaced.

During the 2019, the School District entered into a lease purchase agreement for copiers. The term of the lease is 48 months. The copiers were capitalized in the amount of \$65,781. Payments are being made from the general fund. The annual rate for the lease is 4.65%.

The following table represents the payments required on the certificate of participation and the copier lease for the amounts outstanding at June 30, 2019:

Fiscal Year Ending June 30,	Certificate of Participation	Copier Lease
2020	\$ 105,517	\$ 18,054
2021	105,573	18,054
2022	105,446	18,054
2023	105,137	1,504
2024	102,670	-
2025-2029	515,207	-
2030-2032	310,394	-
Total	1,349,944	55,666
Less: Amount Representing Interest and Admin Fees	(385,944)	(3,900)
Total Principal Outstanding	\$ 964,000	\$ 51,766

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant. The certificate of participation will be paid from the General Fund.

The School District's overall legal debt margin was \$8,273,109 with an unvoted debt margin of \$106,423 at June 30, 2019.

Principal and interest requirements to retire Classroom Facilities Bonds outstanding at June 30, 2019 are as follows:

Fiscal Year Ending June 30,	2007 Serial Bonds Principal	2007 Serial Bonds Interest
2020	\$ 300,000	\$ 46,200
2021	325,000	33,700
2022	340,000	20,400
2023	340,000	6,800
Total	<u>\$ 1,305,000</u>	<u>\$ 107,100</u>

NOTE 15 – INTERFUND ACTIVITY

Advances

Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2020 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	\$ 125,051	\$ -
Nonmajor Funds:		
Lunchroom	-	69,781
Early Childhood	-	5,083
Title I	-	44,876
Title VI-B	-	5,311
Total Nonmajor Funds	<u>-</u>	<u>125,051</u>
Total Interfund Receivables/Payables	<u>\$ 125,051</u>	<u>\$ 125,051</u>

Advances were made from the General Fund to nonmajor special revenue funds in anticipation of intergovernmental grants not received during the current fiscal year.

Transfers

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. In 2019, the General fund transferred monies to the nonmajor Lunchroom Fund and the Athletic Fund in the amount of \$69,216 and \$7,500, respectively.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association - META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META \$63,595 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

Pickaway-Ross Career and Technology Center - The Pickaway-Ross Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross Career and Technology Center, Todd Stahr who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

Great Seal Education Network of Tomorrow - The Great Seal Education Network of Tomorrow is a regional council of governments (the Council) consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the Board of Education) of each of the members.

The Council possesses its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

School Study Council of Ohio (SSCO) – The School Study Council of Ohio (SSCO), created in 1965, is a non-profit consortium of fifty-six school districts, eleven educational service centers, four colleges of education, and eight related educational schools and agencies from thirty counties. It is owned and governed by the member organizations with the Board of Trustees representing member organizations. The School District's Superintendent represents the School District on the Board of Trustees. Their mission is to enable district improvement through planning assistance, professional development, funding and related resource acquisition, research, system assessment and impact evaluation, leadership development, and other personalized technical assistance. The School District has no ongoing financial interest or ongoing financial responsibility to the Council. To obtain the SSCO annual report, write to School Study Council of Ohio, 5747 Perimeter Drive, Suite 100A, Dublin, Ohio 43017.

NOTE 17 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOLS

Ross County School Employees Insurance Consortium - The Ross County School Employees Insurance Consortium (the "Consortium"), a shared risk pool, currently operates to provide medical and dental insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Seven school districts within Ross County and its surrounding area have entered into an agreement with the Ross-Pike Educational Service District to form the Ross County School Employees Insurance Consortium. The overall objectives of the Consortium are to formulate and administer a program of medical and dental insurance for the benefit of the Consortium members' employees and their dependents, to obtain lower costs for insurance coverage, and to secure cost control by implementing a program of comprehensive loss control. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 17 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOLS (continued)

The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium.

Accordingly, the Ross County School Employees Insurance Consortium is not part of the School District and its operations are not included as part of the reporting entity. To obtain financial information, write to the Ross-Pike Educational Service District, Erin Kirby who serves as Treasurer, at 475 Western Avenue, Chillicothe, Ohio 45601.

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

NOTE 18 – SET-ASIDE CALCULATIONS

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

The following information describes the change in the year-end set aside amounts for capital maintenance.

	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	201,788
Current Year Offsets	(35,328)
Current Year Qualifying Expenditures	(166,460)
Total	\$0
Balance Carried Forward to Fiscal Year 2019	\$0
Set Aside Reserve Balance as of June 30, 2019	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$407,262 at June 30, 2019.

NOTE 19 – CONTINGENCIES

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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 19 – CONTINGENCIES (continued)

Litigation

The School District is not currently party to any legal proceedings.

Foundation

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, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to or liability of, the School District.

NOTE 20 – FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Prepaid Items	\$ 12,853	\$ -	\$ 12,853
Unclaimed Monies	4,602	-	4,602
Total Nonspendable	<u>17,455</u>	<u>-</u>	<u>17,455</u>
Restricted for			
Athletics	-	70,957	70,957
Capital Projects	-	6,232	6,232
Classroom Facilities Maintenance	-	683,632	683,632
Debt Services Payments	-	406,858	406,858
Other Federal Programs	-	6,004	6,004
Total Restricted	<u>-</u>	<u>1,173,683</u>	<u>1,173,683</u>
Assigned to			
Other Purposes	<u>397,579</u>	<u>-</u>	<u>397,579</u>
Unassigned (Deficit)	<u>11,913,133</u>	<u>(245,376)</u>	<u>11,667,757</u>
Total Fund Balances	<u>\$12,328,167</u>	<u>\$928,307</u>	<u>\$13,256,474</u>

Southeastern Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 21 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes criteria to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

NOTE 22 – COMMITMENTS

Encumbrances

At June 30, 2019, the School District had significant encumbrance commitments in the following governmental fund:

<u>Fund</u>	<u>Amount</u>
Major Fund:	
General	\$424,069

Contracts

During the fiscal year, the School District entered into an agreement with Comfort Systems in the amount of \$156,000 to upgrade the HVAC system. No monies had been paid on this contract as of June 30, 2019.

Southeastern Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Six Years

	2019	2018	2017	2016	2015	2014
Total plan pension liability	\$ 19,997,700,966	\$ 19,588,417,687	\$ 19,770,708,121	\$ 18,503,280,961	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	14,270,515,748	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,727,185,218	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0604476%	0.0523479%	0.0552607%	0.0569818%	0.0574330%	0.0574330%
School District's proportionate share of the net pension liability	\$ 3,461,946	\$ 3,127,671	\$ 4,044,573	\$ 3,251,437	\$ 2,906,651	\$ 3,415,356
School District's covered payroll	\$ 1,790,081	\$ 1,839,629	\$ 1,716,193	\$ 1,631,234	\$ 1,754,985	\$ 1,761,084
School District's proportionate share of the net pension liability as a percentage of its covered payroll	193.40%	170.02%	235.67%	199.32%	165.62%	193.93%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Southeastern Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Six Years

	2019	2018	2017	2016	2015	2014
Total plan pension liability	\$ 96,904,056,552	\$ 96,126,440,462	\$ 100,756,422,489	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	74,916,301,830	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	21,987,754,722	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.04354207%	0.04345282%	0.04218167%	0.04147399%	0.04289300%	0.04289300%
School District's proportionate share of the net pension liability	\$ 9,573,924	\$ 10,322,311	\$ 14,119,476	\$ 11,462,198	\$ 10,433,062	\$ 12,427,795
School District's covered payroll	\$ 5,084,743	\$ 4,777,107	\$ 4,438,321	\$ 4,327,114	\$ 4,382,615	\$ 4,309,254
School District's proportionate share of the net pension liability as a percentage of its covered payroll	188.29%	216.08%	318.13%	264.89%	238.06%	288.40%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Southeastern Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 248,396	\$ 241,661	\$ 257,548	\$ 240,267	\$ 226,089	\$ 231,307	\$ 243,734	\$ 198,053	\$ 268,777	\$ 257,532
Contributions in relation to the contractually required contribution	(248,396)	(241,661)	(257,548)	(240,267)	(226,089)	(231,307)	(243,734)	(198,053)	(268,777)	(257,532)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,839,970	\$ 1,790,081	\$ 1,839,629	\$ 1,716,193	\$ 1,631,234	\$ 1,754,985	\$ 1,761,084	\$ 1,472,513	\$ 2,138,242	\$ 1,902,009
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%

See accompanying notes to required supplementary information.

Southeastern Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 737,568	\$ 711,864	\$ 668,795	\$ 621,365	\$ 605,796	\$ 569,740	\$ 560,203	\$ 586,991	\$ 590,765	\$ 548,697
Contributions in relation to the contractually required contribution	(737,568)	(711,864)	(668,795)	(621,365)	(605,796)	(569,740)	(560,203)	(586,991)	(590,765)	(548,697)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered payroll	\$ 5,268,343	\$ 5,084,743	\$ 4,777,107	\$ 4,438,321	\$ 4,327,114	\$ 4,382,615	\$ 4,309,254	\$ 4,515,315	\$ 4,544,346	\$ 4,220,746
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to required supplementary information.

Southeastern Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Three Years (1)

	2019	2018	2017
Total plan OPEB liability	\$ 3,209,899,769	\$ 3,065,846,821	\$ 3,220,574,434
Plan net position	<u>435,629,637</u>	<u>382,109,560</u>	<u>370,204,515</u>
Net OPEB liability	2,774,270,132	2,683,737,261	2,850,369,919
School District's proportion of the net OPEB liability	0.06043320%	0.05275200%	0.05632580%
School District's proportionate share of the net OPEB liability	\$ 1,676,580	\$ 1,415,725	\$ 1,605,494
School District's covered-employee payroll	\$ 1,790,081	\$ 1,839,629	\$ 1,716,193
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	93.66%	76.96%	93.55%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.
See accompanying notes to required supplementary information.

Southeastern Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Years (1)

	2019	2018	2017
Total plan OPEB liability	\$ 2,114,451,000	\$ 7,377,410,000	\$ 8,533,654,000
Plan net position	<u>3,721,349,000</u>	<u>3,475,779,000</u>	<u>3,185,628,000</u>
Net OPEB liability (asset)	(1,606,898,000)	3,901,631,000	5,348,026,000
School District's proportion of the net OPEB liability (asset)	0.04354207%	0.04345282%	0.04218167%
School District's proportionate share of the net OPEB liability (asset)	\$ (699,677)	\$ 1,695,369	\$ 2,255,887
School District's covered-employee payroll	\$ 5,084,743	\$ 4,777,107	\$ 4,438,321
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-13.76%	35.49%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	176.00%	47.11%	37.33%

(1) Information prior to 2017 is not available. Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Southeastern Local School District
Required Supplementary Information
Schedule of School District Contributions - for OPEB
School Employees Retirement System of Ohio
Last Four Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 42,004	\$ 38,415	\$ 27,044	\$ 26,852
Contributions in relation to the contractually required contribution	<u>(42,004)</u>	<u>(38,415)</u>	<u>(27,044)</u>	<u>(26,852)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 1,839,970	\$ 1,790,081	\$ 1,839,629	\$ 1,716,193
Contributions as a percentage of covered payroll	2.28%	2.15%	1.47%	1.56%

(1) Information prior to 2016 is not available.

See accompanying notes to required supplementary information.

Southeastern Local School District
Required Supplementary Information
Schedule of School District Contributions - for OPEB
State Teachers Retirement System of Ohio
Last Four Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 5,268,343	\$ 5,084,743	\$ 4,777,107	\$ 4,438,321
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See accompanying notes to required supplementary information.

Southeastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Pension

School Employees Retirement System (SERS)

Changes in benefit terms

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in benefit terms

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Southeastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Pension (continued)

State Teachers Retirement System (STRS) (continued)

Changes in assumptions (continued)

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

OPEB

School Employees Retirement System (SERS)

Changes in benefit terms

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
- (2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

Southeastern Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

OPEB (Continued)

School Employees Retirement System (SERS) (Continued)

Changes in assumptions

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP- 2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in benefit terms

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in assumptions

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

SOUTHEASTERN LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2019

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Pass through to Subrecipient	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
School Breakfast Program	2018/2019	10.553	\$0	\$55,952	\$0	\$55,952	\$0
National School Lunch Program	2018/2019	10.555	0	205,176	39,562	205,176	39,562
<i>Total Nutrition Cluster</i>			0	261,128	39,562	261,128	39,562
Total U.S. Department of Agriculture			0	261,128	39,562	261,128	39,562
<u>U.S. Department of Education</u>							
<i>Passed Through Ohio Department of Education:</i>							
Title I Grants to Local Educational Agencies	2018	84.010	0	39,537	0	450	0
Title I Grants to Local Educational Agencies	2019	84.010	0	203,550	0	253,119	0
<i>Total Title I</i>			0	243,087	0	253,569	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	2018	84.027	0	3,441	0	0	0
Special Education - Grants to States (IDEA Part B)	2019	84.027	0	211,352	0	233,748	0
Special Education - Grants to States (IDEA Part B)	2019	84.027	0	6,639	0	6,639	0
Special Education - Preschool Grants	2019	84.173	0	0	0	5,083	0
<i>Total Special Education Cluster</i>			0	221,432	0	245,470	0
Rural Education	2018	84.358	0	6,231	0	3,816	0
Rural Education	2019	84.358	0	16,691	0	18,361	0
<i>Total Rural Education</i>			0	22,922	0	22,177	0
Improving Teacher Quality	2019	84.367	0	43,434	0	43,434	0
<i>Total Improving Teacher Quality</i>			0	43,434	0	43,434	0
Student Support and Academic Enrichment	2019	84.424	0	434	0	558	0
<i>Total ARRA - Race to the Top</i>			0	434	0	558	0
Total U.S. Department of Education			0	531,309	0	565,208	0
Total Federal Financial Assistance			\$0	\$792,437	\$39,562	\$826,336	\$39,562

The accompanying notes to the Schedule of Federal Awards Revenues and Expenditures are an integral part of the Schedule.

SOUTHEASTERN LOCAL SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southeastern Local School District's (the School District) under programs of the federal government for the fiscal year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B - 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE C - 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 D – 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 benefited from the use of those donated food commodities.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards**

Board of Education
Southeastern Local School District
2003 Lancaster Road
Chillicothe, OH 45601

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeastern Local School District (the School District), Ross County, as of and for the year ended June 30, 2019, 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 January 16, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting 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 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 weakness 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 may exist that have not been identified.

Board of Education
Southeastern Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

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

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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 16, 2020

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by Uniform Guidance**

Board of Education
Southeastern Local School District
2003 Lancaster Road
Chillicothe, OH 45601

Report on Compliance for Each Major Federal Program

We have audited the Southeastern Local School District (the School District), Ross County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB), *Compliance Supplement* that could directly and materially affect the School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal program identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2019.

Southeastern Local School District
Independent Auditor's Report on Compliance with Requirements Applicable
For Each Major Program and Report on Internal Control over Compliance
Required by Uniform Guidance

Report on Internal Control over Compliance

Management of Southeastern Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with an applicable 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 federal program's compliance requirement 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 an applicable 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be a material weakness or significant deficiency. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 16, 2020

SOUTHEASTERN LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
9.	<i>Major Programs (list):</i>	CFDA # 10.553/10.555 – Nutrition Cluster
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: All Other Programs
11.	<i>Low Risk Auditee under 2 CFR §200.520?</i>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

OHIO AUDITOR OF STATE KEITH FABER



SOUTHEASTERN LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2020**