

***SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY, OHIO***

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021



OHIO AUDITOR OF STATE
KEITH FABER



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

Board of Trustees
South East Area Transit
375 Fairbanks Street
Zanesville, Ohio 43701

We have reviewed the *Independent Auditor's Report* of the South East Area Transit, Muskingum County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2021 through December 31, 2021. 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 South East Area Transit is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

August 08, 2022

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MUSKINGUM COUNTY
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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

South East Area Transit
Muskingum County
375 Fairbanks Street
Zanesville, Ohio 43701

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the South East Area Transit, Muskingum County, Ohio (the Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the South East Area Transit, Muskingum County, Ohio, as of December 31, 2021, and the changes in financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary information

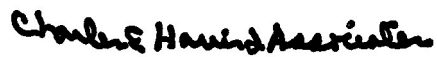
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 24, 2022

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

As management of South East Area Transit ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights for 2021

The net pension liability (NPL) is the largest single liability reported by the Authority at December 31, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability/asset to the reported net position and subtracting deferred outflows related to pension and OPEB.

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/asset to equal the Authority'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 Authority 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.

**SOUTH EAST AREA TRANSIT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

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/asset. 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority'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 asset, respectively, not accounted for as deferred inflows/outflows.

For the year ended December 31, 2021, the Authority has a net position of \$2,944,523. This net position results from the difference between total assets and deferred outflows of resources related to Pensions and OPEB of \$5.85 million and total liabilities and deferred inflows of resources related to Pensions of \$2.91 million.

Current assets of \$3,774,236 primarily consist of Cash and Cash Equivalents, Accounts Receivable, and Intergovernmental Receivable.

Current liabilities of \$444,006 primarily consist of Accounts Payable related items.

Basic Financial Statements and Presentation

The financial statements presented by the Authority are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The Statement of Net Position presents information on all the Authority's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets/deferred outflows without a corresponding increase in liabilities/deferred inflows results in increased net position which indicate improved financial condition.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from the federal government.

The Statement of Cash Flows allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

Notes to the Financial Statements

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

Financial Analysis of the Authority

Table 1 provides a summary of the Authority's net position for 2021:

**(Table 1)
South East Area Transit
Condensed Summary of Net Position
For the Years Ended December 31, 2021 and 2020**

	2021	2020
Current Assets	\$3,774,236	\$2,653,676
Net Pension Asset	28,693	23,050
Net OPEB Asset	169,731	-
Capital Assets (Net of Accumulated Depreciation)	1,332,012	1,309,696
Deferred Outflows of Resources-Pensions	378,519	279,810
Deferred Outflows of Resources-OPEB	174,465	217,529
Total Assets & Deferred Outflows	5,857,656	4,483,761
Current Liabilities	444,006	275,653
Net Pension Liability	1,306,050	1,525,516
Net OPEB Liability	-	1,178,629
Deferred Inflows of Resources-Pensions	581,209	341,062
Deferred Inflows of Resources-OPEB	518,597	167,806
Long-Term Liabilities	63,271	63,570
Total Liabilities & Deferred Inflows	2,913,133	3,552,236
Net Position		
Invested in Capital Assets	1,332,012	1,309,696
Unrestricted	1,612,511	(378,171)
Total Net Position	\$2,944,523	\$931,525

Current Assets increased \$1,120,560 primarily due to more cash on hand.

Capital assets increased \$22,316 as a result of the acquisition of vehicles from National Church Residences in Belmont County, Ohio.

Current liabilities decreased by \$168,353 due to larger purchased transportation payments.

A large portion of the Authority's net position reflect investment in capital assets consisting of buildings, buses, and equipment less any related debt used to acquire these assets still outstanding. The Authority uses these capital assets to provide public transportation services for the counties of Muskingum, Guernsey and Noble; consequently, these assets are not available for future spending.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

Working capital is an organization's current assets less its current liabilities. Working capital is an indicator of liquidity or an organization's ability to pay current operating expenses on time. At December 31, 2021, the Authority had a positive working capital balance of \$3,330,230.

Table 2 shows the highlights of the Authority's revenues and expenses. These two main components are subtracted to yield the changes in net position. This table uses the full accrual method of accounting.

South East Area Transit

Condensed Summary of Revenues, Expenses and Changes in Net Position

For the Years Ended December 31, 2021 and 2020

Operating Revenues (Expenses):	2021	2020
Operating Revenue	\$3,077,099	\$2,605,732
Operating Expenses (Excluding depreciation)	(5,318,847)	(5,118,552)
Depreciation Expenses	(426,860)	(332,148)
Operating Loss	(2,668,608)	(2,844,968)
Non-Operating Revenues		
Capital Grant Revenue	443,186	386,251
Intergovernmental Funding	4,224,252	3,879,495
Other Non-Operating Income	14,168	7,633
Total Non-Operating Revenues	4,681,606	4,273,379
Increase/(Decrease) in Net Position During the Year	2,012,998	1,428,411
Net Position, Beginning of Year	931,525	(496,886)
Net Position, End of Year	\$2,944,523	\$931,525

As a result of implementing the accounting standard for pension and OPEB, the Authority is reporting a significant net pension asset/liability, net OPEB asset and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the Authority is reporting deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. To further explain the impact of these accounting standards on the Authority's net position, additional information is presented below.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
(UNAUDITED)**

	<u>2021</u>	<u>2020</u>
Net pension asset	\$ 28,693	\$ 23,050
Net OPEB asset	169,731	-
Deferred outflows - pension	378,519	279,810
Deferred outflows - OPEB	174,465	217,529
Deferred inflows - pension	(580,759)	(341,062)
Deferred inflows - OPEB	(518,597)	(167,806)
Net pension liability	(1,306,050)	(1,525,516)
Net OPEB liability	<u>-</u>	<u>(1,178,629)</u>
Impact of GASB 68 and GASB 75 on net position	<u>\$ (1,653,998)</u>	<u>\$ (2,692,624)</u>
 Net expense impact	 \$ 1,038,626	 \$ (281,903)

For 2021, the net expense impact of GASB 68 and 75 was \$1,038,626. This was from reporting the decrease in the Authority's Other Post Employment Liability from a liability to an asset. This adjustment was a negative expense which decreased expenses.

Financial Operating Activities

Operating revenues increased by \$471,367 caused by an increase in contract services provided to Muskingum County & Guernsey County JFS. CARES Act funding was also received at a 100% reimbursement rate from January 1, 2021 to September 30, 2021. This allowed the Transit Reserve Fund to increase substantially.

Operating expenses (Including Wages, Fringe Benefits, and, Purchased Transportation) increased by \$200,295. This was due to increases in purchased transportation costs and the acquisition of more employees through the National Church Residences transfer.

Capital Assets and Debt Administration

The Authority's investment in capital assets as of December 31, 2021 is \$1,332,012 (net of accumulated depreciation). This investment in capital assets includes land, buildings, buses, and equipment.

Additional information concerning the Authority's capital assets can be found in note 5 of the notes to the basic financial statements.

As of December 31, 2021, long term liabilities consist entirely of compensated absences for accrued sick pay of \$63,271.

The Authority has no long-term debt.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information contact our Transit Director at 375 Fairbanks Street, Zanesville, Ohio 43701.

**South East Area Transit
Muskingum County
Statement of Net Position
For the Year Ended December 31, 2021**

Assets and Deferred Outflows of Resources	2021
Current Assets:	
Cash and Cash Equivalents	\$ 2,646,211
Accounts Receivable	36,789
Intergovernmental Receivable	974,707
Materials & Supplies Inventory	58,384
Prepaid Expenses	58,145
Total Current Assets	<u>3,774,236</u>
Non-Current Assets:	
Net Pension Asset	28,693
Net OPEB Asset	169,731
Property, Facilities and Equipment	
Land - Non Depreciable	334,255
Operating Facilities	1,837,021
Buses & Other Vehicles	2,016,899
Furniture, Fixtures, & Equipment	1,130,122
Subtotal	<u>5,318,297</u>
Less Accumulated Depreciation	<u>(3,986,285)</u>
Total Property, Facility and Equipment (net of accumulated depreciation)	<u>1,332,012</u>
Total Non-Current Assets	1,530,436
Deferred Outflows of Resources - Pensions	378,519
Deferred Outflows of Resources - OPEB	<u>174,465</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 5,857,656</u></u>
Liabilities, Deferred Inflows of Resources and Net Position	
Current Liabilities	
Accounts Payable	\$ 312,585
Accrued Payroll Taxes & Withholdings	46,152
Accrued Vacation Time	81,853
Held Funds	1,043
Unredeemed Fares	2,373
Total Current Liabilities	<u>444,006</u>
Long-Term Liabilities	
Accrued Sick Time	63,271
Net Pension Liability	<u>1,306,050</u>
Total Liabilities	1,813,327
Deferred Inflows of Resources-Pensions	581,209
Deferred Inflows of Resources-OPEB	518,597
Net Position	
Invested in Capital Assets	1,332,012
Unrestricted	1,612,511
Total Net Position	<u>2,944,523</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 5,857,656</u></u>

See Accompanying Notes to the Basic Financial Statements

**South East Area Transit
Muskingum County
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021**

	2021
Operating Revenues	
General Public Fares	\$ 104,584
Special Transit Fares	2,901,543
Advertising Revenue	30,310
Maintenance Services	12,430
Other Operating Revenue	28,232
Total Operating Revenues	<u>3,077,099</u>
Operating Expenses	
Labor	1,529,781
Fringe Benefits	388,227
Services	189,934
Materials & Supplies	306,686
Utilities	91,869
Casualty & Liability Insurance	115,908
Taxes	1,491
Purchased Transportation	2,565,052
Miscellaneous Expenses	94,512
Leases & Rentals	35,387
Total Operating Expenses	<u>5,318,847</u>
Operating Gain/Loss Excluding Depreciation	(2,241,748)
Depreciation	<u>426,860</u>
Operating Loss	(2,668,608)
Non-Operating Revenues (Expenses)	
Federal Capital Maintenance Grant	116,129
Federal Grant - Capital	327,057
Intergovernmental Funding	4,224,252
Other Non-Operating Income	14,168
Total Non-Operating Revenue	<u>4,681,606</u>
Net Income	2,012,998
Net Position, Beginning of Year	<u>931,525</u>
Net Position, End of Year	<u><u>\$ 2,944,523</u></u>

See Accompanying Notes to the Basic Financial Statements

**South East Area Transit
Muskingum County
Statement of Cash Flows
For the Years Ended December 31, 2021**

	2021
Operating Activities	
Cash Received From Customers	3,006,426
Cash Received From Advertising Fees	30,310
Cash Received From Maintenance Services	12,430
Cash Received From Other Receipts	33,044
Cash Payments for Operating and Administrative Expenses	<u>(6,210,717)</u>
Net Cash Used	<u>(3,128,507)</u>
Capital and Related Financing Activities	
Proceeds From Capital Grants and Assistance	443,106
Proceeds From Other Grants	3,800,337
Proceeds From Sale of Equipment / Other	13,673
Payments For The Purchase of Capital Assets	<u>(449,547)</u>
Net Cash Provided	<u>3,807,569</u>
Investing Activities	
Cash Received From Interest	495
Net Increase in Cash & Equivalents	679,557
Cash & Equivalents - Beginning of Year	<u>1,966,654</u>
Cash & Equivalents - End of Year	<u><u>\$ 2,646,211</u></u>
Reconciliation of Operating Gain (Loss) to Net Cash Used in Operating Activities	
<i>Operating Gain (Loss)</i>	\$ (2,668,608)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Used in Operating Activities	
Depreciation	426,860
Changes in Assets & Liabilities	
(Increase) Decrease in Prepaid Expenses	(10,668)
(Increase) Decrease in Inventories	(6,420)
Increase (Decrease) in Accounts Payable	134,276
Increase (Decrease) in Payroll Liabilities	18,818
Increase (Decrease) in Compensated Absences	9,850
Increase (Decrease) in Unredeemed Fares	299
Increase (Decrease) in Other Liabilities	4,812
Increase (Decrease) Net Pension Liability	(219,466)
Increase (Decrease) OPEB Liability/(Asset)	(1,348,360)
(Increase) Decrease in Deferred Outflows - Pensions	(98,709)
(Increase) Decrease in Deferred Outflows - OPEB	43,064
(Increase) Decrease in Net Pension Asset	(5,643)
Increase (Decrease) Deferred Inflows - Pensions	240,597
Increase (Decrease) Deferred Inflows - OPEB	<u>350,791</u>
Net Cash (Used) in Operating Activities	<u><u>\$ (3,128,507)</u></u>

See Accompanying Notes to the Basic Financial Statements

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. DESCRIPTION OF THE AUTHORITY AND REPORTING ENTITY

Description of the Authority

The Muskingum Authority of Public Transit which is doing business as the South East Area Transit (hereinafter referred to as the "Authority") was created pursuant to Sections 306.30 through 306.54 of the Ohio Revised Code for the purpose of providing public transportation in the City of Zanesville, Muskingum County, City of Cambridge, and Guernsey County, as well as the Southeast Ohio Area. The Authority is an independent political subdivision of the State of Ohio and thus is not subject to federal or state income taxes.

At December 31, 2021 the Authority had 56 full-time equivalent employees and 2 part-time employees. Approximately 80% of the Authority's employees at December 31, 2021 are subject to a collective bargaining agreement expiring on May 31, 2022.

Description of the Reporting Entity

The accompanying financial statements comply with the provisions of the Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as well as GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14, and GASB Statement No. 61, Financial Reporting Entity: Omnibus an amendment of GASB Statements No 14 and No. 34. These statements require that financial statements of the reporting entity to include all of the organizations, activities, functions, and component units for which the reporting entity is financially accountable.

Component units are legally separate organizations for which the authority is financially accountable. The authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the County approves the budget, the levying of taxes, the issuance of debt, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The Authority does not have financial accountability over any entities.

The Authority is managed by an eleven-member Board of Trustees, who establishes policies and sets direction for the management of the Authority. Six members are appointed by the Mayor of Zanesville with the consent of City Council, two members are appointed by the Muskingum County Commissioners, and the remaining three members are appointed by the Guernsey County Commissioners, the Mayor of Cambridge, and the Mayor of South Zanesville. Board Members serve overlapping three-year terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting. The most significant of the Authority's accounting policies are described below.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position, and cash flows. All transactions are accounted for in a single enterprise fund.

Budgetary Accounting and Control

The Authority's annual budget is prepared on the accrual basis of accounting as permitted by law.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value. Cash and cash equivalents represent the funds that are used for the general operations. For the purpose of the statement of cash flows, the Authority considers all highly liquid instruments with a maturity of three months or less at the time they are purchased to be cash and cash equivalents.

Recognition of Receivables and Revenues

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the farebox.

Grants and assistance revenues are received from reimbursable, non-reimbursable, and entitlement type grant programs. These grant programs involve transactions that are categorized as either government-mandated or voluntary non-exchange transactions. Grants and assistance revenues from government-mandated and voluntary non-exchange transactions are recorded as a receivable and revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred.

Inventory of Materials and Supplies

Inventory items are stated at the lower of cost or market. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

Capital Assets

Property, facilities, and equipment are stated at historical cost. The cost of normal maintenance and repairs are charged to operations as incurred. Donated assets are recorded at acquisition values as of the date received. Improvements and interest are capitalized and depreciated over the remaining useful lives of the related properties, with the exception of land which is non-depreciable. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets as follows:

<u>Description</u>	<u>Years</u>
Buildings and Improvements	5-20
Transportation Vehicles	4-12
Furniture, Fixtures and Equipment	3-15

Depreciation and losses on the disposal of capital assets acquired or constructed through grants externally restricted for capital acquisition are closed to net position. Net income (loss) adjusted by the amount of depreciation (and losses) on capital assets acquired in this manner is closed to net position.

**SOUTH EAST AREA TRANSIT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported for pension and OPEB.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension and OPEB.

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

The current accounting standard requires the Authority to report their proportionate share of the net pension/OPEB asset/liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and post-employment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB asset/liability. Under the new standards, the net pension/OPEB asset/liability equals the Authority proportionate share of the pension plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other post-employment benefits. The unfunded portion of this benefit of exchange is a liability of the Authority. However, the Authority is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability. The Authority has no control over the changes in the benefits, contributions rate, and return on investments affecting the balance of these liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The Authority has classified its revenues as either operating or non-operating. Operating revenues are those that are generated directly from the primary activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Authority. Revenues and expenses not meeting this definition are reported as non-operating.

Restricted Assets

Restricted Assets consist of monies and other resources, the use of which is legally restricted for capital acquisition and construction.

Net Position

Equity is displayed in three components as follows:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net position that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first.

Unrestricted – This consists of net position that do not meet the definition of “restricted” or “invested in capital assets”.

Compensated Absences

GASB Statement No. 16 establishes criteria for compensated absences. Compensated absences for vacation leave and benefits with similar characteristics should be recorded as a liability when earned by employees if the following conditions are satisfied:

- The compensated absence is earned on the basis of services already provided by the employees; and
- It is probable that the compensated absence will be paid in a future period.

The Authority records compensated absences for vacation and sick leave in accordance with GASB No. 16. The Authority accrues vacation benefits as earned by its employees. Unused vacation benefits are paid to the employee upon voluntary separation from the Authority. Vacation days are limited to a maximum of twenty-five days. Upon voluntary termination, the Authority pays the employee 60% of accrued sick pay for a maximum of 100 days. An employee cannot carry over vacation to the following year unless extenuating circumstances exist; however, the Authority pays an employee his or her accrued vacation upon termination of employment, if termination was voluntary.

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.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

3. CASH AND INVESTMENTS

The investments and deposits of the Authority are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest in monies in certificates of deposits, saving accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter in repurchase agreements with any eligible depository for a period not extending 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security maintained for public deposits and investments be held in the Authority's name.

The Authority is prohibited from investing in any financial instrument contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. According to state law, public depositories must give security of all public funds on deposit in excess of those funds that are insured by federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. 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.

As of December 31 the District's bank balance of \$2,652,793 was not exposed to custodial credit risk.

Investments

The Authority held no investments at December 31, 2021.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

4. INTERGOVERNMENTAL AND ACCOUNTS RECEIVABLE

Receivables at December 31, 2021 consisted of accounts (billings for user charges for services) and intergovernmental grants. Management estimated allowances for bad debt based on a review of accounts receivable at year end and it was determined that most accounts were collectable and in good standing. A summary of intergovernmental and accounts receivables at December 31, 2021 is as follows:

Ohio Department of Transportation	\$ 700,256
Ohio Department of Taxation	15,491
Guernsey County Job and Family Services	77,193
Muskingum County Job and Family Services	118,334
Noble County Job and Family Services	13,719
Ohio Department of Developmental Disabled	5,649
Belmont County Job and Family Services	9,904
Stark Area Regional Transit Authority	13,534
Other	57,416
Total	<u>\$ 1,011,496</u>

5. CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	Balance 12/31/2020	Increases	Decreases	Balance 12/31/2021
Non-Depreciable Capital Assets:				
Land	\$ 334,255	\$ -	\$ -	\$ 334,255
Total Non-Depreciable Capital Assets	334,255	-	-	334,255
Depreciable Fixed Assets:				
Buildings	1,837,021	-	-	1,837,021
Buses & Vehicles	1,870,510	306,400	(160,011)	2,016,899
Furniture, Fixtures, & Equipment	1,011,673	142,776	(24,327)	1,130,122
Total Depreciable Capital Assets	4,719,204	449,176	(184,338)	4,984,042
Less Accumulated Depreciation				
Buildings	(1,632,902)	(64,381)	-	(1,697,283)
Buses & Vehicles	(1,398,157)	(249,382)	160,011	(1,487,528)
Furniture, Fixtures, & Equipment	(712,704)	(113,097)	24,327	(801,474)
Total Accumulated Depreciation	(3,743,763)	(426,860)	184,338	(3,986,285)
Total Depreciable Capital Assets, Net of Accumulated Depreciation	975,441	22,316	-	997,757
Total Capital Assets	\$ 1,309,696	\$ 22,316	\$ -	\$ 1,332,012

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS

Net Pension Liability or Asset

The net pension liability or asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Ohio Public Employees Retirement System

Plan Description - The Authority employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD. While members may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses mainly on the traditional pension plan.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plan as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after <u>January 7, 2013</u>	20 years of service credit prior to January 7, 2013 or eligible to retire <u>ten years after January 7, 2013</u>	Members not in other Groups and members hired on or after <u>January 7, 2013</u>
State and Local	State and Local	State and Local
Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

**SOUTH EAST AREA TRANSIT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2021 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
 2021 Actual contribution rates	
Employer:	
Pension	14.00 %
Post-employment health care benefits	<u>-</u>
Total employer	<u>14.00 %</u>
 Employee	 <u>10.00 %</u>

The Authority's contractually required contribution for the Traditional Pension Plan and the Combined Plan was \$220,119 for 2021. Of this amount, \$4,892 is reported as an intergovernmental payable.

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

The net pension asset/liability for OPERS was measured as of December 31, 2020, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

	<u>OPERS</u>
	<u>2021</u>
Proportion of the pension liability - prior measurement date	0.0077180 %
Proportion of the pension liability - current measurement date	<u>0.0000882</u> %
Change in proportionate share	<u>-0.0076298</u> %
Proportion of the pension asset - prior measurement date	0.0110540 %
Proportion of the pension asset - current measurement date	<u>0.0000994</u> %
Change in proportionate share	<u>-0.0109546</u> %
Proportionate share of net pension liability	\$ 1,306,050
Proportionate share of net pension asset	\$ 28,693
Pension expense	\$ 136,449

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
	<u>2021</u>
Deferred outflows of resources	
Changes of assumptions	\$ 1,792
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	156,608
Employer contributions subsequent to the measurement date	<u>220,119</u>
Total deferred outflows of resources	<u>\$ 378,519</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 60,046
Net difference between projected and actual earnings on pension plan investments	513,327
Changes in proportionate share and differences between employer contributions and proportionate share of contributions	<u>7,836</u>
Total deferred inflows of resources	<u>\$ 581,209</u>

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$220,119 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS		
	Traditional Plan	Combined Plan	Total
Year ending December 31:			
2022	\$ (111,143)	\$ (3,039)	\$ (114,182)
2023	(20,768)	(2,289)	(23,057)
2024	(207,510)	(3,274)	(210,784)
2025	(69,428)	(2,049)	(71,477)
2026	-	(1,340)	(1,340)
Thereafter	-	(1,969)	(1,969)
Total	\$ (408,849)	\$ (13,960)	\$ (422,809)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification 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. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Future salary increases, including inflation - Traditional plan	3.25 percent to 10.75 percent
Future salary increases, including inflation - Combined plan	3.25 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 1.4 percent, simple through 2020, then 2.15 percent, simple
Investment rate of return	7.2 percent
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

**SOUTH EAST AREA TRANSIT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.7% for 2020.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	25.00%	1.32%
Domestic equities	21.00%	5.64%
Real estate	10.00%	5.39%
Private equity	12.00%	10.42%
International equities	23.00%	7.36%
Other investments	<u>9.00%</u>	<u>4.75%</u>
Total	<u>100.00%</u>	<u>5.43%</u>

Discount Rate The discount rate used to measure the total pension asset/liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

**SOUTH EAST AREA TRANSIT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 7.2%, as well as what the Authority's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease <u>(6.20%)</u>	Current discount rate <u>(7.20%)</u>	1% Increase <u>(8.20%)</u>
Employer proportionate share of the net pension liability(asset):			
Traditional Pension Plan	\$ 2,491,297	\$ 1,306,050	\$ 320,519
Combined Pension Plan	(19,979)	(28,693)	(35,188)

7. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability or Asset

The net OPEB liability or asset reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability or asset represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability or 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 Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

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

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

7. DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report (ACFR) referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

7. DEFINED BENEFIT OPEB PLANS (CONTINUED)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$0 for 2021.

OPEB Liabilities or Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability or asset and total OPEB liability or asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability or asset was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u> <u>2021</u>
Proportion of the net OPEB liability or asset:	
Prior measurement date	0.0085330%
Current measurement date	<u>0.0095270%</u>
Change in proportionate share	<u>0.0009940%</u>
Proportionate share of the net	
OPEB Liability (asset)	(\$169,731)
OPEB Expense	(\$954,505)

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

7. DEFINED BENEFIT OPEB PLANS (CONTINUED)

	<u>OPERS</u> <u>2021</u>
Deferred outflows of resources	
Changes of assumptions	\$ 83,442
Changes in proportion and differences between contributions and proportionate share of contributions	<u>91,023</u>
Total deferred outflows of resources	<u>\$ 174,465</u>
Deferred inflows of resources	
Differences between expected and actual experience	\$ 153,181
Net difference between projected and actual earnings on OPEB plan investments	90,401
Changes of assumptions	<u>275,015</u>
Total deferred inflows of resources	<u>\$ 518,597</u>

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

	<u>OPERS</u>
Year ending December 31:	
2022	\$ (168,711)
2023	(125,485)
2024	(39,285)
2025	<u>(10,651)</u>
Total	<u>\$ (344,132)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification 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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB asset was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

**SOUTH EAST AREA TRANSIT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

7. DEFINED BENEFIT OPEB PLANS (CONTINUED)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5 - year period ended December 31, 2015
Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent (includes wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	6.00 percent
Prior measurement date	3.16 percent
Investment rate of return	6.00 percent
Municipal bond rate	2.75 percent
Health care cost trend rate	8.50 percent, initial 3.50 percent, ultimate in 2035
Actuarial cost method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 10.5 percent for 2020.

**SOUTH EAST AREA TRANSIT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

7. DEFINED BENEFIT OPEB PLANS (CONTINUED)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2020 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	Weighted average long-term expected real rate of return <u>(arithmetic)</u>
Fixed income	34.00%	1.07%
Domestic equities	25.00%	5.64%
Real estate investment trust	7.00%	6.48%
International equities	25.00%	7.36%
Other investments	<u>9.00%</u>	<u>4.02%</u>
Total	<u>100.00%</u>	<u>4.43%</u>

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB asset on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.00 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease <u>(5.00%)</u>	Current discount rate <u>(6.00%)</u>	1% Increase <u>(7.00%)</u>
Proportionate share of the net OPEB (asset)	\$ (42,205)	\$ (169,731)	\$ (274,568)

**SOUTH EAST AREA TRANSIT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

7. DEFINED BENEFIT OPEB PLANS (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the Net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

	<u>1% Decrease</u>	Current health care cost trend rate <u>assumption</u>	<u>1% Increase</u>
Proportionate share of the net OPEB(asset)	(\$173,868)	(\$169,731)	(\$165,103)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

8. GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE

Grants, reimbursements, and special fare assistance in the statement of revenues, expenses, and changes in equity for the year ended December 31, 2021 consist of the following:

Federal:	
FTA Capital Assistance	\$ 386,251
CARES Act	2,988,221
FTA Operating Assistance	905,293
	4,279,765
State:	
ODOT Operating Assistance	55,994
ODOT Elderly Fare Assistance	40,978
	96,972
Local:	
City of Zanesville	80,000
Village of South Zanesville	2,500
Muskingum County	10,000
City of Cambridge	2,500
Guernsey County	5,580
Muskingum County Job and Family Services	1,244,861
Guernsey County Job and Family Services	865,715
Noble County Job and Family Services	135,797
Perry County Transit DODD Fare (MCT Medicaid Fee)	23,223
Other Contracts	38,866
	2,409,042
Total	\$ 6,785,779

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

8. GRANTS, REIMBURSEMENTS, AND SPECIAL FARE ASSISTANCE (CONTINUED)

On April 25, 2012, the Board of Trustees established a capital replacement line item on its accounting system in which it places 11 percent of negotiated special transit fares. This amount was changed by ODOT in 2016 to 10%. The purpose of these monies is to provide a local match portion for the Authority for federal capital maintenance grants or federal capital replacement grants that are available through the Ohio Department of Transportation, as needed. The Capital Replacement Fund was replaced with the Transit Reserve Fund starting April 1, 2020. This allowed all transit authorities to allocate 40% of their budget to the Transit Reserve Fund. This is done by a journal entry at month end, transferring the money from the Special Transit Fares line item to the Transit Reserve Fund line item. This fund is to be used for local operating match for the 5311 program and also for local match of capital purchases. As funds are used from the Transit Reserve Fund, contract revenue can be transferred until the fund reaches its 40% total. For the year ending December 31, 2021, the Authority collected \$1,012,432 in the Transit Reserve Fund which created a balance of \$2,527,290. After expenses of \$386,348, an ending balance of \$2,140,942 remained. This amount was reported in the financial statements within Special Transit Fares.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omission, employment related matters, injuries to employees and employee theft and fraud. The Authority joined together with certain other transit authorities in the State to form Ohio Transit Insurance Risk Pool Association, Inc. (OTRIP). OTRIP is a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for 11-member transit agencies. The Authority pays an annual premium to OTRIP for its general insurance coverage and makes quarterly payments into a loss and administration fund pursuant to OTRIP's bylaws. The Agreement of Formation of the OTRIP provides that OTRIP will be self-sustaining through member premiums.

Per occurrence, catastrophic loss coverage is maintained by OTRIP equal to \$200,000,000 for qualified property losses (including auto physical damage) and \$10,000,000 for automobile liability.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. CONTINGENCIES

The Authority receives a substantial amount of support from federal, state, and local governments. A significant reduction in this level of support, if such were to occur, would have a material effect on the Authority's programs and activities.

11. COVID - 19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

SOUTH EAST AREA TRANSIT
 Required Supplementary Information
 Schedule of Authority's Proportionate Share of the Net Pension Liability
 Ohio Public Employees Retirement System (OPERS) - Traditional Plan
 Last Eight Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.008820%	0.007180%	0.007652%	0.007524%	0.007004%	0.007312%	0.007100%	0.007100%
Authority's proportionate share of the net pension liability	\$ 1,306,050	\$ 1,525,516	\$ 2,095,728	\$ 1,180,370	\$ 1,687,408	\$ 1,270,553	\$ 856,339	\$ 836,997
Authority's covered payroll	\$ 1,242,286	\$ 1,138,100	\$ 941,721	\$ 1,262,708	\$ 1,239,300	\$ 959,525	\$ 969,225	\$ 904,231
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	105.13%	134.04%	222.54%	93.48%	136.16%	132.41%	88.35%	92.56%
Plan fiduciary net position as a percentage of total pension liability	86.88%	84.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

See notes to the Required Supplemental Information

SOUTH EAST AREA TRANSIT
 Required Supplementary Information
 Schedule of Authority's Contributions - Pension
 Ohio Public Employees Retirement System (OPERS) - Traditional Plan
 Last Nine Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution - Pension	\$ 210,980	\$ 173,920	\$ 159,334	\$ 131,841	\$ 164,152	\$ 148,716	\$ 115,143	\$ 116,307	\$ 117,550
Contributions in relation to contractually required contribution	<u>(210,980)</u>	<u>(173,920)</u>	<u>(159,334)</u>	<u>(131,841)</u>	<u>(164,152)</u>	<u>(148,716)</u>	<u>(115,143)</u>	<u>(116,307)</u>	<u>(117,550)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered payroll	\$ 1,507,000	\$ 1,242,286	\$ 1,138,100	\$ 941,721	\$ 1,262,708	\$ 1,239,300	\$ 959,525	\$ 969,225	\$ 904,231
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

See notes to the Required Supplemental Information

SOUTH EAST AREA TRANSIT
 Required Supplementary Information
 Schedule of Authority's Proportionate Share of the Net Pension Asset
 Ohio Public Employees Retirement System (OPERS) - Combined Plan
 Last Five Years (1)

	2021	2020	2019	2018	2017
Authority's proportion of the net pension asset	0.099400%	0.011054%	0.005309%	0.001437%	0.002231%
Authority's proportionate share of the net pension asset	\$ 28,693	\$ 23,050	\$ 5,937	\$ 1,956	\$ 1,475
Authority's covered payroll	\$ 43,807	\$ 25,579	\$ 20,693	\$ 1,163,239	\$ 1,070,044
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	65.50%	90.11%	28.69%	0.17%	0.14%
Plan fiduciary net position as a percentage of total pension asset	157.67%	145.28%	126.64%	137.28%	116.55%

(1) Information prior to 2017 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

See notes to the Required Supplemental Information

SOUTH EAST AREA TRANSIT
 Required Supplementary Information
 Schedule of Authority's Contributions - Pension
 Ohio Public Employees Retirement System (OPERS) - Combined Plan
 Last Five Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution - Pension	\$ 9,139	\$ 6,133	\$ 3,581	\$ 2,897	\$ 1,844
Contributions in relation to contractually required contribution	<u>(9,139)</u>	<u>(6,133)</u>	<u>(3,581)</u>	<u>(2,897)</u>	<u>(1,844)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered payroll	\$ 65,279	\$ 43,807	\$ 25,579	\$ 20,693	\$ 14,185
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	13.00%

(1) Information prior to 2017 is not available.

See notes to the Required Supplemental Information

SOUTH EAST AREA TRANSIT
 Required Supplementary Information
 Schedule of Authority's Proportionate Share of the Net OPEB Liability/(Asset)
 Ohio Public Employees Retirement System (OPERS)
 Last Five Years (1)

	2021	2020	2019	2018	2017
Authority's proportion of the net OPEB liability/(asset)	-0.009527%	0.008533%	0.008312%	0.007960%	0.007960%
Authority's proportionate share of the net OPEB liability/(asset)	\$ (169,731)	\$ 1,178,629	\$ 1,083,689	\$ 864,697	\$ 803,987
Authority's covered payroll	\$ 1,440,820	\$ 1,277,863	\$ 1,036,443	\$ 1,316,108	\$ 1,216,600
Authority's proportionate share of the net OPEB liability/(asset) as a percentage of its covered payroll	-11.78%	92.23%	104.56%	65.70%	66.08%
Plan fiduciary net position as a percentage of total OPEB liability	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

See notes to the Required Supplemental Information

Required Supplementary Information
Schedule of Authority's Contributions - OPEB
Ohio Public Employees Retirement System (OPERS)
Last Nine Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution - OPEB (1)	\$ -	\$ -	\$ -	\$ -	\$ 26,322	\$ 24,332	\$ 18,200	\$ 17,410	\$ 17,772
Contributions in relation to contractually required contribution	-	-	-	-	(26,322)	(24,332)	(18,200)	(17,410)	(17,772)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority covered payroll (1)	\$ 1,735,312	\$ 1,440,820	\$ 1,277,863	\$ 1,036,443	\$ 1,316,108	\$ 1,216,600	\$ 910,000	\$ 870,500	\$ 1,777,200
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available.

See notes to the Required Supplemental Information

SOUTH EAST AREA TRANSIT
Notes to Required Supplementary Information
For the Year Ended December 31, 2021

Pension

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2021. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: See note the financial statements for changes in benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2021. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES (PREPARED BY MANAGEMENT)
FOR THE YEAR ENDED DECEMBER 31, 2021**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Number	Federal ALN Number	Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Formula Grants for Other Than Urbanized Areas	122-RPTF-21-0100	20.509	\$ 1,021,422
Formula Grants for Other Than Urbanized Areas - COVID19	CARE-4122-024-210	20.509	2,878,389
Formula Grants for Other Than Urbanized Areas	122-INTC-21-0100	20.509	81,234
Formula Grants for Other Than Urbanized Areas - COVID19	122-CARE-21-0200	20.509	50,890
Total Formula Grants to Rural Areas			<u>4,031,935</u>
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities Program	OCPX-0122-038-210	20.513	61,860
Enhanced Mobility of Seniors and Individuals with Disabilities Program	OCPX-0294-038-201	20.513	42,923
Enhanced Mobility of Seniors and Individuals with Disabilities Program - COVID19	CARE-0122-024-200	20.513	<u>109,832</u>
Total Transit Services Programs Cluster			<u>214,615</u>
Total U.S. Department of Transportation			<u>4,246,550</u>
Total Federal Awards Expenditures			<u><u>\$ 4,246,550</u></u>

The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(PREPARED BY MANAGEMENT)
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual 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 Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require the Authority to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Authority has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

South East Area Transit
Muskingum County
375 Fairbanks Street
Zanesville, Ohio 43701

To the Board of Trustees:

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, the financial statements of the South East Area Transit, Muskingum County, Ohio (the Authority) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 24, 2022. We noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

However, we noted certain matters not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated June 24, 2022.

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
June 24, 2022

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

South East Area Transit
Muskingum County
375 Fairbanks Street
Zanesville, Ohio 43701

To the Board of Trustees:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the South East Area Transit, Muskingum County's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2021. The Authority's major federal program is identified in the *Summary of Auditor's Results* of the accompanying Schedule of Findings.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Charles E. Harris & Associates, Inc.

June 24, 2022

**SOUTH EAST AREA TRANSIT
MUSKINGUM COUNTY, OHIO
SCHEDULE OF FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Formula grants for Other Than Urbanized Areas – ALN #20.509
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE KEITH FABER



SOUTH EAST AREA TRANSIT

MUSKINGUM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/18/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov