



***SOUTHEASTERN  
LOCAL SCHOOL DISTRICT***

---

**ROSS COUNTY**

**SINGLE AUDIT**

**For the Fiscal Year Ended June 30, 2018**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





# OHIO AUDITOR OF STATE KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Southeastern Local School District, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Ohio Auditor of State

A handwritten signature in cursive script that reads "Keith Faber".

January 17, 2019

**This Page Left Intentionally Blank**

*Southeastern Local School District*  
*Table of Contents*  
*For the Fiscal Year Ended June 30, 2018*

---

**FINANCIAL SECTION**

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	4
<i>Basic Financial Statements:</i>	
Government-wide Financial Statements	
Statement of Net Position .....	12
Statement of Activities .....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	18
Statement of Fund Net Position – Governmental Activities - Internal Service Fund.....	19
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Governmental Activities - Internal Service Fund. ....	20
Statement of Cash Flows – Governmental Activities - Internal Service Fund. ....	21
Statement of Fiduciary Net Position - Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	23
Notes to the Basic Financial Statements.....	24

*Southeastern Local School District*  
*Table of Contents*  
*For the Fiscal Year Ended June 30, 2018*

---

**REQUIRED SUPPLEMENTAL SCHEDULES**

Schedule of the School District's Proportionate Share of the Net Pension Liability – SERS – Last Five Years .....	64
Schedule of the School District's Proportionate Share of the Net Pension Liability – STRS – Last Five Years .....	65
Schedule of the School District Contributions – SERS - Last Ten Years .....	66
Schedule of the School District Contributions – STRS - Last Ten Years .....	67
Schedule of the School District's Proportionate Share of the Net OPEB Liability – SERS – Last Two Years .....	68
Schedule of the School District's Proportionate Share of the Net OPEB Liability – STRS – Last Two Years .....	69
Schedule of the School District Contributions – SERS - Last Three Years .....	70
Schedule of the School District Contributions – STRS - Last Three Years .....	71
Notes to the Required Supplementary Information .....	72

**SUPPLEMENTAL INFORMATION**

Schedule of Federal Awards Receipts and Expenditures .....	74
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	75

**AUDIT REPORTS**

Independent Auditor's Report on Internal Control over Financial Reporting and on on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	76
Independent Accountant's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance Required by Uniform Guidance .....	78
Schedule of Findings .....	80

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Southeastern Local School District, Ross County, Ohio (the School District), as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Southeastern Local School District, Ross County, Ohio as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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



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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*J. L. Uhrig and Associates, Inc.*

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

December 12, 2018

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

---

The discussion and analysis of the Southeastern Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2018 are as follows:

- Net position of governmental activities increased \$5,448,549.
- General revenues accounted for \$11,426,667, or 79% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, accounted for \$3,001,318 or 21% of total revenues of \$14,427,985.
- The School District had \$8,979,436 in expenses related to governmental activities; only \$3,001,318 of these expenses were offset by program specific charges for services and sales, operating grants and contributions.

## **USING THIS ANNUAL FINANCIAL REPORT**

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

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

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

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

---

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

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

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 10. Fund financial statements provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

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

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

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

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2018  
Unaudited

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1  
Net Position  
Governmental Activities

	<u>2018</u>	<u>2017*</u>
Assets:		
Current and Other Assets	\$ 16,316,750	\$ 15,990,779
Capital Assets, Net	<u>15,929,402</u>	<u>16,451,039</u>
Total Assets	<u>32,246,152</u>	<u>32,441,818</u>
Deferred Outflows of Resources:		
Pensions and OPEB	<u>4,444,730</u>	<u>3,475,423</u>
Total Deferred Outflows of Resources	<u>4,444,730</u>	<u>3,475,423</u>
Liabilities:		
Current and Other Liabilities	1,270,059	1,056,958
Long-Term Liabilities:		
Due Within One Year	342,832	387,674
Due in More than One Year:		
Net Pension Liabilities	13,449,982	18,164,049
Net OPEB Liabilities	3,111,094	3,861,381
Other Amounts	<u>2,944,626</u>	<u>3,248,351</u>
Total Liabilities	<u>21,118,593</u>	<u>26,718,413</u>
Deferred Inflows of Resources		
Pensions and OPEB	1,152,264	400,060
Property Taxes not Levied to Finance the Current Year	<u>1,975,619</u>	<u>1,802,911</u>
Total Deferred Inflows of Resources	<u>3,127,883</u>	<u>2,202,971</u>
Net Position:		
Net Investment in Capital Assets	13,120,768	13,351,483
Restricted	1,243,344	1,260,163
Unrestricted	<u>(1,919,706)</u>	<u>(7,615,789)</u>
Total Net Position	<u>\$ 12,444,406</u>	<u>\$ 6,995,857</u>

\* As restated, see Note 21 for additional information.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

---

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$10,830,194 to \$6,995,857.

Total net position of the School District as a whole increased \$5,448,549. The increase to current and other assets is primarily due to an increase in cash with the School District at fiscal year-end due to higher revenues received than expenses paid. Deferred outflows of resources increased primarily due to pension and OPEB activity. Long-term liabilities decreased due to net pension and OPEB liabilities and principal payments on debt obligations. Deferred inflows of resources increased due primarily to pension and OPEB activity.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2018  
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Table 2  
Changes in Net Position

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017*</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$ 1,456,199	\$ 1,501,271
Operating Grants and Contributions	1,545,119	1,707,171
Total Program Revenues	<u>3,001,318</u>	<u>3,208,442</u>
General Revenues		
Property Taxes	2,230,882	2,291,560
Income Taxes	3,873	4,704
Grants and Entitlements Not Restricted to Specific Programs	9,013,311	9,197,475
Investment Earnings	109,971	50,379
Gifts and Donations Not Restricted to Specific Programs	-	3,102
Miscellaneous	68,630	141,357
Total General Revenues	<u>11,426,667</u>	<u>11,688,577</u>
Total Revenues	<u>14,427,985</u>	<u>14,897,019</u>
<b>Program Expenses</b>		
Instruction:		
Regular	3,858,121	7,475,515
Special	965,608	1,812,878
Other	1,771	2,388
Support Services:		
Pupils	343,536	651,845
Instructional Staff	94,216	82,964
Board of Education	16,681	19,639
Administration	175,132	754,049
Fiscal	298,258	295,605
Business	135,239	151,631
Operation and Maintenance of Plant	1,098,286	1,216,257
Pupil Transportation	870,888	1,034,140
Central	54,056	67,447
Operation of Non-Instructional Services	426,726	469,604
Extracurricular Activities	474,562	632,304
Interest and Fiscal Charges	166,356	109,957
Total Expenses	<u>8,979,436</u>	<u>14,776,223</u>
Change in Net Position	5,448,549	120,796
Net Position, Beginning of Year - As Restated	<u>6,995,857</u>	<u>10,709,398</u>
Net Position, End of Year	<u>\$ 12,444,406</u>	<u>\$ 10,830,194</u>

\* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 21 for additional information.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

Operating grants and contributions decreased due to less monies received for the Lunchroom and Miscellaneous Federal Grant programs. Miscellaneous general revenues decreased due to an insurance claim received in the prior year. Interest revenue increased as a result of higher balances and market values. The School District's levy expired December 30, 2004 and the only income tax collections are for delinquencies.

The most significant program expenses for the School District are regular instruction, operation and maintenance of plant, special instruction and pupil transportation. These programs account for 76 percent of the total governmental activities. Regular instruction, which accounts for 43 percent of the total, represents costs associated with providing general educational services. Operation and maintenance of plant, which represents 12 percent of the total, represents costs associated with operating and maintaining the School District's facilities. Special instruction, which represents 11 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupil transportation, which represents 10 percent of the total, represents costs associated with student transportation. Regular and special instruction, pupils, and administration decreased due to pension and OPEB expenses.

The majority of the funding for the most significant programs indicated above is from operating grants and contributions, property taxes, and grants and entitlements not restricted for specific programs. Operating grants and contributions, property taxes, and grants and entitlements not restricted for specific programs account for 89 percent of total revenues for governmental activities.

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

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018		2017*	
Program Expenses				
Instruction:				
Regular	\$ 3,858,121	\$ 3,307,569	\$ 7,475,515	\$ 6,813,871
Special	965,608	(74,265)	1,812,878	633,095
Other	1,771	(15,121)	2,388	(12,639)
Support Services:				
Pupils	343,536	261,286	651,845	585,222
Instructional Staff	94,216	74,929	82,964	72,175
Board of Education	16,681	13,827	19,639	17,920
Administration	175,132	145,220	754,049	688,086
Fiscal	298,258	229,030	295,605	252,985
Business	135,239	112,551	151,631	138,551
Operation and Maintenance of Plant	1,098,286	910,409	1,216,257	1,110,359
Pupil Transportation	870,888	735,830	1,034,140	949,618
Central	54,056	44,807	67,447	61,544
Operation of Non-Instructional Services	426,726	20,517	469,604	69,913
Extracurricular Activities	474,562	64,493	632,304	79,779
Interest and Fiscal Charges	166,356	147,036	109,957	107,302
Total	<u>\$ 8,979,436</u>	<u>\$ 5,978,118</u>	<u>\$ 14,776,223</u>	<u>\$ 11,567,781</u>

\* Information for the implementation of GASB 75 with regards to expenses was not available and therefore amounts were not restated. See Note 21 for additional information.

**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$14,474,420 and expenditures and other financing uses of \$14,533,226.

The School District has one major fund: the General Fund. The General Fund had \$12,889,756 in revenues and \$12,894,515 in expenditures and other financing uses. The General Fund's balance decreased \$4,759.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2018, the School District amended its General Fund budget.

For the General Fund, final estimated revenue was \$12,803,716, which decreased from the original estimates of \$13,162,363. The decrease is due to decreases to intergovernmental, tuition and fees, and miscellaneous revenue. For the General Fund, final budgeted expenditures were \$13,065,414, which increased from the original estimates of \$10,980,576. Appropriations were amended to reflect an increase necessary for regular instruction, operation and maintenance of plant, and pupil transportation support services. The School District's actual budget basis revenues were \$193,998 above final estimates. The School District's actual budget basis expenditures were \$202,509 under the final budget due to conservative budgeting by the School District.

The School District's ending unobligated General Fund budgetary fund balance was \$12,198,056.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2018, the School District had \$15,929,402 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and library books and textbooks. For additional information on capital assets, see Note 9 to the basic financial statements. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	\$ 705,000	\$ 705,000
Construction in Progress	130,978	-
Land Improvements	871,467	1,019,011
Buildings and Improvements	13,167,244	13,937,650
Furniture and Equipment	308,191	342,777
Vehicles	737,159	418,518
Library Books and Textbooks	9,363	28,083
Totals	\$ 15,929,402	\$ 16,451,039

The overall decrease in capital assets of \$521,637 is due to current year depreciation expense, which was partially offset by current year additions.



**Southeastern Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2018*  
*Unaudited*

---

***Debt***

At June 30, 2018, the School District had \$2,703,441 in bonds, certificate of participation outstanding and a copier lease with \$337,355 due within one year. Table 5 summarizes the bond and certificate of participation outstanding. The bonds were issued for school construction and the certificate of participation was issued for the addition of a new athletic complex. For additional information on debt, see Note 14 to the basic financial statements.

Table 5  
 Outstanding Debt at Year End

	2018	2017
2007 General Obligation Refunding Bonds	\$ 1,687,086	\$ 1,972,644
Certificate of Participation	1,015,000	1,111,000
Copier Lease	1,355	15,912
	\$ 2,703,441	\$ 3,099,556

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Phil Hartman, Treasurer at Southeastern Local School District, 2003 Lancaster Road, Chillicothe, Ohio 45601.

**Southeastern Local School District**  
*Statement of Net Position*  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 13,802,598
Accrued Interest Receivable	8,929
Intergovernmental Receivable	113,446
Prepaid Items	11,665
Taxes Receivable	2,380,112
Noncurrent Assets:	
Nondepreciable Capital Assets	835,978
Depreciable Capital Assets, Net	15,093,424
<i>Total Assets</i>	32,246,152
<b>Deferred Outflows of Resources</b>	
Pension and OPEB:	
State Teachers Retirement System	3,864,960
School Employees Retirement System	579,770
<i>Total Deferred Outflows of Resources</i>	4,444,730
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	37,871
Accrued Wages and Benefits Payable	895,473
Contracts Payable	105,193
Intergovernmental Payable	219,953
Accrued Interest Payable	6,200
Claims Payable	5,369
Noncurrent Liabilities:	
Due Within One Year	342,832
Due in More Than One Year	
Net Pension Liability (See Note 11)	13,449,982
Net OPEB Liability (See Note 12)	3,111,094
Other Amounts Due in More Than One Year	2,944,626
<i>Total Liabilities</i>	21,118,593
<b>Deferred Inflows of Resources</b>	
Pensions and OPEB:	
State Teachers Retirement System	723,963
School Employees Retirement System	428,301
Property Taxes not Levied to Finance Current Year Operations	1,975,619
<i>Total Deferred Inflows of Resources</i>	3,127,883
<b>Net Position</b>	
Net Investment in Capital Assets	13,120,768
Restricted for:	
Debt Service	460,500
Capital Outlay	6,232
Classroom Facilities Maintenance	672,576
Other Purposes	104,036
Unrestricted	(1,919,706)
<i>Total Net Position</i>	\$ 12,444,406

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 3,858,121	\$ 493,278	\$ 57,274	\$ (3,307,569)
Special	965,608	96,493	943,380	74,265
Other	1,771	283	16,609	15,121
Support Services:				
Pupils	343,536	50,792	31,458	(261,286)
Instructional Staff	94,216	14,915	4,372	(74,929)
Board of Education	16,681	2,854	-	(13,827)
Administration	175,132	29,912	-	(145,220)
Fiscal	298,258	44,840	24,388	(229,030)
Business	135,239	21,567	1,121	(112,551)
Operation and Maintenance of Plant	1,098,286	184,600	3,277	(910,409)
Pupil Transportation	870,888	135,058	-	(735,830)
Central	54,056	9,249	-	(44,807)
Operation of Non-Instructional Services	426,726	95,907	310,302	(20,517)
Extracurricular Activities	474,562	257,131	152,938	(64,493)
Interest and Fiscal Charges	166,356	19,320	-	(147,036)
<i>Totals</i>	<u>\$ 8,979,436</u>	<u>\$ 1,456,199</u>	<u>\$ 1,545,119</u>	<u>(5,978,118)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				1,930,055
Debt Service				270,924
Classroom Facilities				29,903
Income Taxes				3,873
Grants and Entitlements not Restricted to Specific Programs				9,013,311
Investment Earnings				109,971
Miscellaneous				68,630
<i>Total General Revenues</i>				<u>11,426,667</u>
<i>Change in Net Position</i>				5,448,549
<i>Net Position Beginning of Year - As Restated, See Note 21</i>				<u>6,995,857</u>
<i>Net Position End of Year</i>				<u>\$ 12,444,406</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2018*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 12,588,479	\$ 1,182,636	\$ 13,771,115
Accrued Interest Receivable	8,929	-	8,929
Interfund Receivable	104,140	-	104,140
Prepaid Items	11,665	-	11,665
Intergovernmental	59,836	53,610	113,446
Taxes	2,056,604	323,508	2,380,112
<i>Total Assets</i>	<u>\$ 14,829,653</u>	<u>\$ 1,559,754</u>	<u>\$ 16,389,407</u>
<b>Liabilities</b>			
Accounts Payable	\$ 31,020	\$ 6,851	\$ 37,871
Accrued Wages and Benefits Payable	831,161	64,312	895,473
Contracts Payable	105,193	-	105,193
Interfund Payable	-	104,140	104,140
Intergovernmental Payable	193,514	26,439	219,953
<i>Total Liabilities</i>	<u>1,160,888</u>	<u>201,742</u>	<u>1,362,630</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	1,708,501	267,118	1,975,619
Unavailable Revenue - Delinquent Taxes	91,029	14,833	105,862
Unavailable Revenue - Interest	5,404	-	5,404
Unavailable Revenue - Grants	-	53,610	53,610
<i>Total Deferred Inflows of Resources</i>	<u>1,804,934</u>	<u>335,561</u>	<u>2,140,495</u>
<b>Fund Balances</b>			
Nonspendable	15,875	-	15,875
Restricted	-	1,219,035	1,219,035
Assigned	243,424	-	243,424
Unassigned	11,604,532	(196,584)	11,407,948
<i>Total Fund Balances</i>	<u>11,863,831</u>	<u>1,022,451</u>	<u>12,886,282</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 14,829,653</u>	<u>\$ 1,559,754</u>	<u>\$ 16,389,407</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2018*

---

**Total Governmental Fund Balances** \$ 12,886,282

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 15,929,402

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

Taxes	105,862
Interest	5,404
Intergovernmental	<u>53,610</u>

Total 164,876

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

Deferred outflows of resources related to pensions and OPEB	4,444,730
Deferred inflows of resources related to pensions and OPEB	(1,152,264)
Net Pension Liability	(13,449,982)
Net OPEB Liability	<u>(3,111,094)</u>

Total (13,268,610)

An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 26,114

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

Accrued Interest Payable	(6,200)
Compensated Absences	(584,017)
Certificate of Participation Obligations	(1,015,000)
Capital Lease	(1,355)
Refunding Bonds	(1,590,000)
Unamortized Premiums on Refunding Bonds	<u>(97,086)</u>

Total (3,293,658)

**Net Position of Governmental Activities** \$ 12,444,406

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2018*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 1,929,470	\$ 300,518	\$ 2,229,988
Income Taxes	3,873	-	3,873
Intergovernmental	9,656,887	914,240	10,571,127
Interest	108,393	-	108,393
Tuition and Fees	1,040,417	-	1,040,417
Rent	36,252	-	36,252
Extracurricular Activities	45,834	231,073	276,907
Customer Sales and Services	-	102,623	102,623
Miscellaneous	68,630	-	68,630
<i>Total Revenues</i>	<u>12,889,756</u>	<u>1,548,454</u>	<u>14,438,210</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,411,282	91,660	6,502,942
Special	1,182,086	422,861	1,604,947
Other	2,083	-	2,083
Support Services:			
Pupils	731,780	41,609	773,389
Instructional Staff	99,871	6,489	106,360
Board of Education	17,324	-	17,324
Administration	824,199	-	824,199
Fiscal	297,430	36,196	333,626
Business	126,046	8,685	134,731
Operation and Maintenance of Plant	1,191,531	4,863	1,196,394
Pupil Transportation	884,335	-	884,335
Central	65,255	-	65,255
Operation of Non-Instructional Services	-	460,365	460,365
Extracurricular Activities	225,700	226,983	452,683
Capital Outlay	575,912	-	575,912
Debt Service:			
Principal	110,557	270,000	380,557
Interest and Fiscal Charges	112,914	69,000	181,914
<i>Total Expenditures</i>	<u>12,858,305</u>	<u>1,638,711</u>	<u>14,497,016</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>31,451</u>	<u>(90,257)</u>	<u>(58,806)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	36,210	36,210
Transfers Out	(36,210)	-	(36,210)
<i>Total Other Financing Sources (Uses)</i>	<u>(36,210)</u>	<u>36,210</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(4,759)	(54,047)	(58,806)
<i>Fund Balances at Beginning of Year</i>	<u>11,868,590</u>	<u>1,076,498</u>	<u>12,945,088</u>
<i>Fund Balances at End of Year</i>	<u>\$ 11,863,831</u>	<u>\$ 1,022,451</u>	<u>\$ 12,886,282</u>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2018*

<b>Net Change in Fund Balances-Total Governmental Funds</b>	\$	(58,806)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between the capital asset additions and the amount of depreciation expense for the current period.		
Capital Asset Additions	575,912	
Depreciation	<u>(1,097,549)</u>	
Total		(521,637)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Interest	1,578	
Taxes	894	
Intergovernmental	<u>(12,697)</u>	
Total		(10,225)
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.		
		15,558
Repayments of bond principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		
		270,000
Repayments of certificate of participation and capital lease obligations are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		
		110,557
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities with the exception of interest earnings.		
		9,038
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		991,940
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		4,689,672
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in Compensated Absences	<u>(47,548)</u>	
Total		<u>(47,548)</u>
<b>Net Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>5,448,549</u></b>

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual (Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2018*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 13,162,363	\$ 12,803,716	\$ 12,997,714	\$ 193,998
Total Expenditures and Other Financing Uses	<u>10,980,576</u>	<u>13,065,414</u>	<u>12,862,905</u>	<u>202,509</u>
Net Change in Fund Balance	2,181,787	(261,698)	134,809	396,507
Fund Balance at Beginning of Year	11,700,562	11,700,562	11,700,562	-
Prior Year Encumbrances Appropriated	<u>362,685</u>	<u>362,685</u>	<u>362,685</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 14,245,034</u>	<u>\$ 11,801,549</u>	<u>\$ 12,198,056</u>	<u>\$ 396,507</u>

See accompanying notes to the basic financial statements.



**Southeastern Local School District**  
*Statement of Fund Net Position*  
*Governmental Activities*  
*Internal Service Fund*  
*June 30, 2018*

---

	<u>Internal Service</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 31,483
<i>Total Assets</i>	31,483
<b>LIABILITIES:</b>	
Claims Payable	5,369
<i>Total Liabilities</i>	5,369
<b>NET POSITION:</b>	
Unrestricted	26,114
<i>Total Net Position</i>	\$ 26,114

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2018

---

	<u>Internal Service</u>
OPERATING REVENUES:	
Charges for Services	\$ 88,532
<i>Total Operating Revenues</i>	88,532
OPERATING EXPENSES:	
Claims	79,494
<i>Total Operating Expenses</i>	79,494
<i>Change in Net Position</i>	9,038
Net Position at Beginning of Year	17,076
Net Position at End of Year	\$ 26,114

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Cash Flows*  
*Governmental Activities*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2018

	Internal Service
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided	\$ 88,532
Cash Payments for Claims	(81,132)
<i>Net Cash Provided (Used) by Operating Activities</i>	7,400
Cash and Cash Equivalents at Beginning of Year	24,083
Cash and Cash Equivalents at End of Year	\$ 31,483
<b><i>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</i></b>	
Operating Income	\$ 9,038
<i>Changes in Liabilities:</i>	
Decrease in Claims Payable	(1,638)
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ 7,400

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2018*

	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 60,459	\$ 49,660
Accrued Interest Receivable	119	-
<i>Total Assets</i>	60,578	49,660
<b>Liabilities</b>		
Current Liabilities:		
Undistributed Monies		49,660
<i>Total Liabilities</i>		\$ 49,660
<b>Net Position</b>		
Held in Trust for Scholarships	60,578	
<i>Total Net Position</i>	\$ 60,578	

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2018*

	Private Purpose Trust Fund
<b>Additions</b>	
Gifts and Contributions	\$ 21,635
Decrease in Fair Value	(9,922)
<i>Total Additions</i>	11,713
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	24,647
<i>Total Deductions</i>	24,647
Change in Net Position	(12,934)
Net Position Beginning of Year	73,512
Net Position End of Year	\$ 60,578

See accompanying notes to the basic financial statements.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1938 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 140 square miles. It is located in Ross County and includes the Hamlets of Londonderry, Higby, Harrison and Richmond Dale and portions of Liberty, Jefferson, Harrison, Springfield, Franklin and Scioto Townships. It is staffed by 75 non-certificated employees, and 73 certificated full-time teaching personnel who provide services to 1,089 students and other community members. The School District currently operates a K-12 instructional building.

*Reporting Entity:*

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

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

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

- Parent Teacher Organization
- Ross-Pike Educational Service District

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

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

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

**A. Basis of Presentation**

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

***Government-wide Financial Statements:***

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type. However, the School District has no activities that are classified as business-type.

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

***Fund Financial Statements:***

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using three categories: governmental, proprietary and fiduciary.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Governmental Funds**

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

**General Fund**

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

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

**Proprietary Funds**

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

**Internal Service Fund**

The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee vision and dental claims.

**Fiduciary Funds**

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

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

**Measurement Focus**

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



**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

**Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Deferred Outflows and Deferred Inflows of Resources**

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

**Expenses/Expenditures**

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

**C. Budgetary Process**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Cash and Cash Equivalents**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund amounted to \$108,393.

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

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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

**E. Capital Assets and Depreciation**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F. Interfund Activity**

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

**G. Compensated Absences**

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

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

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

**H. Accrued Liabilities and Long-Term Obligations**

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

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

**I. Fund Balance**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

**J. Estimates**

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

**K. Net Position**

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

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

Of the School District's \$1,243,344 in restricted net position, none is restricted by enabling legislation.

**L. Interfund Balances**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Pensions and Other PostEmployment Benefits (OPEB)**

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

**N. Operating Revenues and Expenses**

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

**O. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

**NOTE 3 – ACCOUNTABILITY**

At June 30, 2018, the Lunchroom, Title I, and Title II-A Special Revenue Funds had deficit fund balances of \$109,395, \$84,028, and \$3,161, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING** (continued)

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

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	(\$4,759)
Adjustments:	
Revenue Accruals	153,898
Expenditure Accruals	224,522
Perspective Difference:	
Activity of Funds Reclassified for	
GAAP Reporting Purposes	(14,743)
Encumbrances	<u>(224,109)</u>
Budget Basis	<u><u>\$134,809</u></u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

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

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

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

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$7,854,207 of the School District's bank balance of \$8,939,035 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.



**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

*Investments* As of June 30, 2018, the School District had the following investments:

	Fair Value	Less than 12 months	1-2 Years	3-5 Years
Star Ohio	\$5,094,791	\$5,094,791	\$0	\$0
Total Investment Portfolio	\$5,094,791	\$5,094,791	\$0	\$0

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District’s recurring fair value measurements as of June 30, 2018. As discussed further in Note 2D, STAR Ohio is reported at its share price.

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

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

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

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

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 6 – PROPERTY TAXES** (continued)

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$94,168,370	90.37%	\$94,827,910	90.01%
Public Utility	10,038,450	9.63%	10,519,080	9.99%
Total Assessed Value	\$104,206,820	100.00%	\$105,346,990	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$31.80		 \$31.80	

The School District receives property taxes from Ross County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to unavailable revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2018, was \$253,201 in the General Fund, \$41,557 in the other governmental funds.

**NOTE 7 – INCOME TAX**

The School District levied a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2000, for five years. This levy expired on December 31, 2004 and was not renewed. The School District continues to receive delinquent income taxes. Income tax revenue is credited to the General Fund. Income tax revenues received during the year were \$3,873.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2018, consisted of property taxes, interest, intergovernmental grants and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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

Major Fund:	
General	\$59,836
Non-Major Special Revenue Funds:	
Title VI-B	3,441
Title I	39,538
Miscellaneous Federal Grants	<u>10,631</u>
Total	<u>\$113,446</u>

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	Ending Balance 06/30/17	Additions	Disposals	Ending Balance 06/30/18
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 705,000	\$ -	\$ -	\$ 705,000
Construction in Progress	-	130,978	-	130,978
Total Capital Assets, Not Being Depreciated	<u>705,000</u>	<u>130,978</u>	<u>-</u>	<u>835,978</u>
Capital Assets Being Depreciated				
Land Improvements	3,263,027	17,725	-	3,280,752
Buildings and Improvements	24,991,012	-	-	24,991,012
Furniture and Equipment	859,661	23,165	-	882,826
Vehicles	1,745,881	404,044	-	2,149,925
Library Books and Textbooks	406,010	-	-	406,010
Total Capital Assets, Being Depreciated	<u>31,265,591</u>	<u>444,934</u>	<u>-</u>	<u>31,710,525</u>
Less Accumulated Depreciation:				
Land Improvements	(2,244,016)	(165,269)	-	(2,409,285)
Buildings and Improvements	(11,053,362)	(770,406)	-	(11,823,768)
Furniture and Equipment	(516,884)	(57,751)	-	(574,635)
Vehicles	(1,327,363)	(85,403)	-	(1,412,766)
Library Books and Textbooks	(377,927)	(18,720)	-	(396,647)
Total Accumulated Depreciation	<u>(15,519,552)</u>	<u>(1,097,549)</u>	<u>-</u>	<u>(16,617,101)</u>
Total Capital Assets Being Depreciated, Net	<u>15,746,039</u>	<u>(652,615)</u>	<u>-</u>	<u>15,093,424</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,451,039</u>	<u>\$ (521,637)</u>	<u>\$ -</u>	<u>\$ 15,929,402</u>

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 9 – CAPITAL ASSETS** (continued)

Depreciation expense was charged to government functions as follows:

Regular Instruction	\$899,225
Other Instruction	119
Instructional Staff	556
Administration	313
Business	508
Operation and Maintenance of Plant	14,543
Pupil Transportation	81,555
Operation of Non Instructional Services	5,445
Extracurricular Activities	95,285
	\$1,097,549

**NOTE 10 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Liberty Mutual Insurance for property and fleet insurance, and inland marine coverage. General liability coverage was provided by the Ohio School Plan. Coverage provided was as follows:

Building and Contents replacement cost (\$2,500 deductible)	\$48,518,262
Inland Marine Coverage (\$500 deductible)	48,000
Automobile Liability (\$500 deductible)	
Bodily Injury - Each person	1,000,000
Bodily Injury - Each accident	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000

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

Vision and dental insurance is offered to employees through a self-insurance program. The claims liability of \$5,369 reported in the Internal Service Fund at June 30, 2018 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

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

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2017	\$0	85,532	78,525	\$7,007
2018	7,007	79,494	81,132	5,369

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 10 – RISK MANAGEMENT** (continued)

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmangement provides administrative, cost control and actuarial services to the GRP.

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

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**Net Pension Liability** (continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2018.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

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

The School District's contractually required contribution to SERS was \$241,661 for fiscal year 2018. Of this amount \$13,490 is reported as an intergovernmental payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until Aug. 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

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

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS Ohio was \$711,864 for fiscal year 2018. Of this amount \$128,044 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the School District’s share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0523479%	0.04345282%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0552607%</u>	<u>0.04218167%</u>	
Change in Proportionate Share	<u>-0.0029128%</u>	<u>0.00127115%</u>	
Proportion of the Net Pension Liability	\$3,127,671	\$10,322,311	\$13,449,982
Pension Expense (Gain)	(\$189,077)	(\$3,985,281)	(\$4,174,358)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

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

<b>Deferred Outflows of Resources</b>	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
Differences between expected and actual economic experience	\$134,604	\$398,600	\$533,204
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	3,356	391,529	394,885
Changes of assumptions	161,734	2,257,602	2,419,336
School District contributions subsequent to the measurement date	<u>241,661</u>	<u>711,864</u>	<u>953,525</u>
<b>Total</b>	<b><u>\$541,355</u></b>	<b><u>\$3,759,595</u></b>	<b><u>\$4,300,950</u></b>
<b>Deferred Inflows of Resources</b>	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
Differences between expected and actual economic experience	\$0	\$83,194	\$83,194
Differences between projected and actual investment earnings	14,846	340,648	355,494
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>200,596</u>	<u>199,531</u>	<u>400,127</u>
<b>Total</b>	<b><u>\$215,442</u></b>	<b><u>\$623,373</u></b>	<b><u>\$838,815</u></b>

\$953,525 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b>SERS</b>	<b>STRS</b>	<b>Total</b>
Fiscal Year Ending June 30:			
2019	\$36,191	\$470,210	\$506,401
2020	112,409	937,942	1,050,351
2021	8,563	767,044	775,607
2022	<u>(72,911)</u>	<u>249,162</u>	<u>176,251</u>
<b>Total</b>	<b><u>\$84,252</u></b>	<b><u>\$2,424,358</u></b>	<b><u>\$2,508,610</u></b>

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS**

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - SERS** (continued)

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,340,395	\$3,127,671	\$2,111,768

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017
Payroll Increases	3.00%

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$14,796,681	\$10,322,311	\$6,553,324

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2018, none of the School District's members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

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

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District 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. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* 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* on both the accrual and modified accrual bases of accounting.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 12 - DEFINED BENEFIT OPEB PLANS** (continued)

**School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$28,692.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$38,415 for fiscal year 2018.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 12 - DEFINED BENEFIT OPEB PLANS** (continued)

**State Teachers Retirement System**

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District’s proportion of the net OPEB liability was based on the School District’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.05632580%	0.04218167%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.05275200%</u>	<u>0.04345282%</u>	
Change in Proportionate Share	<u>-0.00357380%</u>	<u>0.00127115%</u>	
Proportionate Share of the Net			
OPEB Liability	\$1,415,725	\$1,695,369	\$3,111,094
OPEB Expense (Gain)	\$50,134	(\$565,448)	(\$515,314)

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 12 - DEFINED BENEFIT OPEB PLANS** (continued)

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

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$0	\$47,096	\$47,096
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	0	58,269	58,269
School District contributions subsequent to the measurement date	<u>38,415</u>	<u>0</u>	<u>38,415</u>
Total	<u>\$38,415</u>	<u>\$105,365</u>	<u>\$143,780</u>
<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$3,739	\$34,871	\$38,610
Changes of assumptions	134,345	65,719	200,064
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>74,775</u>	<u>0</u>	<u>74,775</u>
Total	<u>\$212,859</u>	<u>\$100,590</u>	<u>\$313,449</u>

\$38,415 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$76,703)	(\$2,110)	(\$78,813)
2020	(76,703)	(2,110)	(78,813)
2021	(58,519)	(2,110)	(60,629)
2022	(934)	(2,109)	(3,043)
2023	0	6,608	6,608
Thereafter	<u>0</u>	<u>6,606</u>	<u>6,606</u>
Total	<u>(\$212,859)</u>	<u>\$4,775</u>	<u>(\$208,084)</u>

**Actuarial Assumptions - SERS**

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



**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Actuarial Assumptions – SERS (continued)**

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – SERS** (continued)

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
	School District's proportionate share of the net OPEB liability	\$1,709,668	\$1,415,725
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
	School District's proportionate share of the net OPEB liability	\$1,148,755	\$1,415,725

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions – STRS** (continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$2,276,005	\$1,695,369	\$1,236,476
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$1,177,870	\$1,695,369	\$2,376,458

**NOTE 13 – EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

**Insurance Benefits**

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

**Deferred Compensation**

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2018 were as follows:

	Amount Outstanding 6/30/17*	Additions	Deductions	Amount Outstanding 6/30/18	Due in One Year
2007 General Obligation Refunding Bonds - 3.70%-4.00%	\$ 1,860,000	\$ -	\$ 270,000	\$ 1,590,000	\$ 285,000
Premium	112,644	-	15,558	97,086	-
<b>Total Long-Term Bonds and Loans</b>	<b>1,972,644</b>	<b>-</b>	<b>285,558</b>	<b>1,687,086</b>	<b>285,000</b>
Net Pension Liability:					
STRS	14,119,476	-	3,797,165	10,322,311	-
SERS	4,044,573	-	916,902	3,127,671	-
<b>Total Net Pension Liability</b>	<b>18,164,049</b>	<b>-</b>	<b>4,714,067</b>	<b>13,449,982</b>	<b>-</b>
Net OPEB Liability:					
STRS	2,255,887	-	560,518	1,695,369	-
SERS	1,605,494	-	189,769	1,415,725	-
<b>Total Net OPEB Liability</b>	<b>3,861,381</b>	<b>-</b>	<b>750,287</b>	<b>3,111,094</b>	<b>-</b>
Certificate of Participation Payable	1,111,000		96,000	1,015,000	51,000
Capital Lease	15,912	-	14,557	1,355	1,355
Compensated Absences	536,469	822,114	774,566	584,017	5,477
<b>Total General Long-Term Obligations</b>	<b>\$ 25,661,455</b>	<b>\$ 822,114</b>	<b>\$ 6,635,035</b>	<b>\$ 19,848,534</b>	<b>\$ 342,832</b>

\*As restated for GASB 75, See Note 21 for additional information.

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

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

In connection with refunding bonds, the School District has pledged future tax revenues to repay this debt. The refunding bonds are payable through their final maturities solely from tax revenues received from a bond tax levy. The tax revenue available for these refunding bonds for 2018 was \$284,702 and principal and interest paid was \$339,000. The coverage ratio for these refunding bonds was .8398 for the year ended June 30, 2018.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

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

Principal payments in fiscal year 2018 totaled \$96,000 for the certificate of participation in the governmental funds.

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

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

The following table represents the payments required on the certificate of participation and the copier lease for the amounts outstanding at June 30, 2018:

Fiscal Year Ending June 30,	Certificate of Participation	Copier Lease
2019	\$ 105,281	\$ 1,359
2020	105,517	-
2021	105,573	-
2022	105,446	-
2023	105,137	-
2024-2028	514,674	
2029-2032	413,597	-
Total	1,455,225	1,359
Less: Amount Representing Interest and Admin Fees	(440,225)	(4)
Total Principal Outstanding	\$ 1,015,000	\$ 1,355

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

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

The School District's overall legal debt margin was \$7,891,233 with an unvoted debt margin of \$105,347 at June 30, 2018.

Principal and interest requirements to retire Classroom Facilities Bonds outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	2007 Serial Bonds Principal	2007 Serial Bonds Interest
2019	\$ 285,000	\$ 57,900
2020	300,000	46,200
2021	325,000	33,700
2022	340,000	20,400
2023	340,000	6,800
Total	<u>\$ 1,590,000</u>	<u>\$ 165,000</u>

**NOTE 15 – INTERFUND ACTIVITY**

**Advances**

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2019 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
Major Fund:		
General Fund	\$ 104,140	\$ -
Nonmajor Funds		
Lunchroom	-	69,216
Title I	-	34,393
Miscellaneous Federal Grants	-	531
Total Nonmajor Funds	<u>-</u>	<u>104,140</u>
Total Interfund Receivables/Payables	<u>\$ 104,140</u>	<u>\$ 104,140</u>

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

**Transfers**

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. In 2018, the General fund transferred monies to the nonmajor Lunchroom Fund in the amount of \$36,210.



**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association Regional Council of Governments* - The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG no payments for services provided during the fiscal year.

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

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META \$63,460 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

**NOTE 17 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOLS**

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

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

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

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

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 18 – SET-ASIDE CALCULATIONS**

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

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

	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	210,568
Current Year Offsets	(35,592)
Current Year Qualifying Expenditures	(123,509)
Prior Year Offset from Bond Proceeds	(51,467)
Total	\$0
Balance Carried Forward to Fiscal Year 2018	\$0
Set Aside Reserve Balance as of June 30, 2018	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$407,262 at June 30, 2018.

**NOTE 19 – CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

**Litigation**

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

**Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to or liability of, the School District.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2018

**NOTE 20 – FUND BALANCES**

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Prepaid Items	\$ 11,665	\$ -	\$ 11,665
Unclaimed Monies	4,210	-	4,210
Total Nonspendable	<u>15,875</u>	<u>-</u>	<u>15,875</u>
<b>Restricted for</b>			
Athletics	-	80,921	80,921
Capital Projects	-	6,232	6,232
Classroom Facilities Maintenance	-	671,177	671,177
Debt Services Payments	-	447,066	447,066
Other Federal Programs	-	13,639	13,639
Total Restricted	<u>-</u>	<u>1,219,035</u>	<u>1,219,035</u>
<b>Assigned to</b>			
Other Purposes	<u>243,424</u>	<u>-</u>	<u>243,424</u>
<b>Unassigned (Deficit)</b>	<u>11,604,532</u>	<u>(196,584)</u>	<u>11,407,948</u>
Total Fund Balances	<u><u>\$11,863,831</u></u>	<u><u>\$1,022,451</u></u>	<u><u>\$12,886,282</u></u>

**NOTE 21 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 had the following effect on the financial statements of the School District and certain additional disclosures have been made in the notes to the basic financial statements.

Net position, July 1, 2017-As previously stated	\$10,830,194
School District Share of Beginning Plan Net OPEB Liability	(3,861,381)
School District Share of 2017 Employer Contributions	<u>27,044</u>
Net position, July 1, 2017-As restated	<u><u>\$6,995,857</u></u>

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the School District.

**Southeastern Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 21 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION** (continued)

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the School District.

**NOTE 22 – COMMITMENTS**

***Encumbrances***

At June 30, 2018, the School District had significant encumbrance commitments in the following governmental fund:

<u>Fund</u>	<u>Amount</u>
Major Fund:	
General	\$224,109

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

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

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

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

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

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 241,661	\$ 257,548	\$ 240,267	\$ 226,089	\$ 231,307	\$ 243,734	\$ 198,053	\$ 268,777	\$ 257,532	\$ 153,538
Contributions in relation to the contractually required contribution	(241,661)	(257,548)	(240,267)	(226,089)	(231,307)	(243,734)	(198,053)	(268,777)	(257,532)	(153,538)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,790,081	\$ 1,839,629	\$ 1,716,193	\$ 1,631,234	\$ 1,754,985	\$ 1,761,084	\$ 1,472,513	\$ 2,138,242	\$ 1,902,009	\$ 1,560,346
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%	9.84%



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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 711,864	\$ 668,795	\$ 621,365	\$ 605,796	\$ 569,740	\$ 560,203	\$ 586,991	\$ 590,765	\$ 548,697	\$ 557,529
Contributions in relation to the contractually required contribution	(711,864)	(668,795)	(621,365)	(605,796)	(569,740)	(560,203)	(586,991)	(590,765)	(548,697)	(557,529)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 5,084,743	\$ 4,777,107	\$ 4,438,321	\$ 4,327,114	\$ 4,382,615	\$ 4,309,254	\$ 4,515,315	\$ 4,544,346	\$ 4,220,746	\$ 4,288,685
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

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

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

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

---

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

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

**Southeastern Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions - for OPEB*  
*School Employees Retirement System of Ohio*  
*Last Three Years*

---

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

(1) Information prior to 2016 is not available.

**Southeastern Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions - for OPEB*  
*State Teachers Retirement System of Ohio*  
*Last Three Years*

---

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

(1) Information prior to 2016 is not available.

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
For the Fiscal Year Ended June 30, 2018

---

**NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**Pension**

**Assumption Changes Since Prior Measurement Date** – For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Other Postemployment Benefits**

**Assumption Changes Since the Prior Measurement Date** – Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, Including price inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

**NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**Pension**

**Assumption Changes Since Prior Measurement Date** – Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

*Notes to the Required Supplementary Information*

*For the Fiscal Year Ended June 30, 2018*

---

**NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO - Continued**

Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expense, including inflation	7.75 percent net of investment expense, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Other Postemployment Benefits**

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

**This page intentionally left blank.**



**SOUTHEASTERN LOCAL SCHOOL DISTRICT**  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2018

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Pass through to Subrecipient	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<b><u>U.S. Department of Agriculture</u></b>							
<i>Passed Through Ohio Department of Education:</i>							
<i>Nutrition Cluster:</i>							
School Breakfast Program	2018/2017	10.553	\$0	\$59,828	\$0	\$59,828	\$0
National School Lunch Program	2018/2017	10.555	0	208,459	34,040	208,459	34,040
<i>Total Nutrition Cluster</i>			0	268,287	34,040	268,287	34,040
<b>Total U.S. Department of Agriculture</b>			0	268,287	34,040	268,287	34,040
<b><u>U.S. Department of Education</u></b>							
<i>Passed Through Ohio Department of Education:</i>							
Title I Grants to Local Educational Agencies	2018	84.010	0	223,965	0	258,359	0
Title I Grants to Local Educational Agencies	2017	84.010	0	66,152	0	26,714	0
<i>Total Title I</i>			0	290,117	0	285,073	0
<i>Special Education Cluster:</i>							
Special Education - Grants to States (IDEA Part B)	2018	84.027	0	232,316	0	235,757	0
Special Education - Grants to States (IDEA Part B)	2017	84.027	0	24,309	0	0	0
<i>Total Special Education Cluster</i>			0	256,625	0	235,757	0
Rural Education	2018	84.358	0	15,858	0	18,273	0
Rural Education	2017	84.358	0	2,739	0	0	0
<i>Total Rural Education</i>			0	18,597	0	18,273	0
Improving Teacher Quality	2018	84.367	0	44,951	0	44,951	0
<i>Total Improving Teacher Quality</i>			0	44,951	0	44,951	0
Student Support and Academic Enrichment	2018	84.424	0	5,600	0	5,600	0
<i>Total ARRA - Race to the Top</i>			0	5,600	0	5,600	0
<b>Total U.S. Department of Education</b>			0	615,890	0	589,654	0
<b>Total Federal Financial Assistance</b>			<u>\$0</u>	<u>\$884,177</u>	<u>\$34,040</u>	<u>\$857,941</u>	<u>\$34,040</u>

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

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**  
*Notes to the Schedule of Expenditures of Federal Awards*  
For the Fiscal Year Ended June 30, 2018

---

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southeastern Local School District's (the School District) under programs of the federal government for the fiscal year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeastern Local School District (the School District), Ross County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 12, 2018.

**Internal Control over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*J. L. Uhrig and Associates, Inc.*

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

December 12, 2018

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Southeastern Local School District (the School District), Ross County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB), *Compliance Supplement* that could directly and materially affect the School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could directly and materially affect its major federal program identified in the *Summary of Auditor's Results* in the accompanying schedule of findings for the year ended June 30, 2018.

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

**Report on Internal Control over Compliance**

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

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

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

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

*J. L. Uhrig and Associates, Inc.*

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

December 12, 2018

**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

*Schedule of Findings*

*For the Fiscal Year Ended June 30, 2018*

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

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

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

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

**C. FINDINGS FOR FEDERAL AWARDS**

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

**This page intentionally left blank.**



# OHIO AUDITOR OF STATE KEITH FABER



**SOUTHEASTERN LOCAL SCHOOL DISTRICT**

**ROSS COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 29, 2019**