



Dave Yost • Auditor of State

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Allen East Local School District
Allen County
9105 Harding Highway
Harrod, Ohio 45850

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Allen East Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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' *Government 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 such 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 cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Allen East Local School District, Allen County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 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.



Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2018

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The discussion and analysis of the Allen East 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, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position increased \$1,232,085 primarily due to receipts outpacing disbursements.

Using this Annual Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2017, the general fund is the School District's most significant fund.

Basis of Accounting

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

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

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Reporting the School District's Fiduciary Responsibilities

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

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2017 compared to 2016.

(Table 1)
Net Position – Cash Basis

	Governmental Activities	
	2017	2016
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 8,958,497	\$ 7,726,412
<i>Total Assets</i>	<u>8,958,497</u>	<u>7,726,412</u>
Net Position		
Restricted for:		
Capital Outlay	372,339	507,799
Debt Service	507,861	490,125
Permanent Fund		
Expendable	33	28
Non-expendable	2,000	2,000
Other Purposes	471,566	385,742
Unrestricted	<u>7,604,698</u>	<u>6,340,718</u>
<i>Total Net Position</i>	<u>\$ 8,958,497</u>	<u>\$ 7,726,412</u>

The net position of the governmental activities increased \$1,232,085, which represents a 16 percent increase from fiscal year 2016. This can most significantly be attributed to the increase unrestricted grants and entitlements due to increased state funding, in conjunction with receipts consistently outpacing disbursements.

A portion of the School District's net position, \$1,353,799 or 15 percent represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$7,604,698 may be used to meet the School District's ongoing obligations.

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2017 as compared to fiscal year 2016.

(Table 2)
Changes in Net Position – Cash Basis

	Governmental Activities	
	2017	2016
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 1,474,355	\$ 1,406,391
Operating Grants, Contributions and Interest	918,751	963,507
<i>Total Program Receipts</i>	<u>2,393,106</u>	<u>2,369,898</u>
General Receipts		
Property Taxes	3,408,249	3,212,026
Grants and Entitlements not Restricted to Specific Programs	6,819,987	6,595,152
Proceeds from Sale of Assets	5,000	1,349
Interest	66,836	21,022
Miscellaneous	70,614	7,767
<i>Total General Receipts</i>	<u>10,370,686</u>	<u>9,837,316</u>
<i>Total Receipts</i>	<u>12,763,792</u>	<u>12,207,214</u>
Program Disbursements		
Instruction:		
Regular	4,422,158	4,332,318
Special	805,272	618,539
Other	530,353	578,182
Support Services:		
Pupils	658,722	619,613
Instructional Staff	762,232	575,886
Board of Education	37,288	108,969
Administration	786,456	652,883
Fiscal	263,989	256,032
Business	40,748	43,740
Operation and Maintenance of Plant	1,118,382	1,019,926
Pupil Transportation	488,418	546,854
Central	300	540
Operation of Non-Instructional Services:		
Food Service Operations	475,151	490,170
Extracurricular Activities	369,348	352,622
Capital Outlay	194,405	516,812
Debt Service:		
Principal Retirement	125,108	127,959
Interest and Fiscal Charges	453,377	448,226
<i>Total Program Disbursements</i>	<u>11,531,707</u>	<u>11,289,271</u>
<i>Change in Net Position</i>	1,232,085	917,943
<i>Net Position Beginning of Year</i>	7,726,412	6,808,469
<i>Net Position End of Year</i>	<u>\$ 8,958,497</u>	<u>\$ 7,726,412</u>

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Capital outlay disbursements decreased \$322,407 due to projects started and completed in fiscal year 2016. Unrestricted grants and entitlements increased \$224,835 due to increased state funding.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2017	2016	2017	2016
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 4,422,158	\$ 4,332,318	\$ 3,426,700	\$ 3,389,271
Special	805,272	618,539	290,831	108,455
Other	530,353	578,182	530,353	553,594
Support Services:				
Pupils	658,722	619,613	452,217	413,649
Instructional Staff	762,232	575,886	751,421	546,269
Board of Education	37,288	108,969	37,288	108,969
Administration	786,456	652,883	784,896	650,963
Fiscal	263,989	256,032	263,989	256,032
Business	40,748	43,740	40,748	43,740
Operation and Maintenance of Plant	1,118,382	1,019,926	1,100,752	1,009,095
Pupil Transportation	488,418	546,854	484,598	541,386
Central	300	540	300	540
Operation of Non-Instructional Services:				
Food Service Operations	475,151	490,170	16,675	13,286
Extracurricular Activities	369,348	352,622	184,943	191,127
Capital Outlay	194,405	516,812	194,405	516,812
Debt Service:				
Principal Retirement	125,108	127,959	125,108	127,959
Interest and Fiscal Charges	453,377	448,226	453,377	448,226
<i>Total</i>	<u>\$ 11,531,707</u>	<u>\$ 11,289,271</u>	<u>\$ 9,138,601</u>	<u>\$ 8,919,373</u>

The dependence upon tax receipts and general receipts entitlements from the state for governmental activities is apparent. Program receipts only account for 21 percent of all governmental disbursements. The community is the largest area of support for the School District students.

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

The School District's Funds

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

The general fund's fund balance increased \$481,726 in 2017. The increase in fund balance can be attributed to an increase to intergovernmental receipts, primarily state foundation funding, outpacing overall increases in disbursements.

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 2017, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems which are designed to tightly control site budgets but provide flexibility for site management. Actual receipts of \$10,823,085 were \$33,761 higher than the final budget, as actual tax receipts and interest receipts were higher than anticipated. The final budget did not change from the original budget.

Actual disbursements of \$9,653,205 were \$2,572,481 lower than the final budget. Actual instruction disbursements were significantly under budgeted expectations. This was partially due to disbursements being fully appropriated and budgeted higher than usual.

Other financing sources and uses were \$79,369 higher than the final budget. Final budget transfers in were higher than actual by \$452,602, offset by final budget transfer out of \$352,602 higher than actual. The School District did not need as many resources to fund other programs as anticipated.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2017 and 2016.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2017	2016
2004 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	\$ 0	\$ 269,464
2007 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	6,123,739	6,000,787
<i>Total</i>	\$ 6,123,739	\$ 6,270,251

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)
(Continued)

Current Issues

The Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. An emergency levy was passed by the residents of the district in November 1994, with the promise that the \$330,000 annual revenue generated by a levy would provide sufficient funding for five years. The emergency levy has continually been renewed by the residents, with the most recent renewal in May of 2017.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. The School District has not been on the ballot for new operating money for over 20 years.

The School District's major concern is the State Legislative approval of the biennial budget, which significantly impacts the School District. Two thirds of the school funding for the School District comes from this budget. The 2017-2019 biennial budget has flat-lined the State revenue for the School District. Management must plan carefully and prudently to provide the resources to meet student needs over the next several years as expenditures will continue to increase without a corresponding increase in revenue.

In the course of routine surveillance, Fitch Ratings has affirmed the AA- rating on the School District's outstanding unlimited general obligation bonds. The Rating Outlook is Stable. The AA- rating reflects the School District's strong, conservative financial management as evidenced by ample cash reserves, reliance on state aid and sparing use of expiring levies, which has insulated its reserves from the cyclical effects of periodic voter approvals that typify other Ohio school districts. The key rating driver is management's ability to continue current practices and maintain ample fiscal cushion given the economic downturn and fixed revenue streams.

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 Andrea Snyder, Treasurer of Allen East Local School District, 9105 Harding Highway, Harrod, OH 45850 or snydera@alleneastschool.org.

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Allen East Local School District
Allen County, Ohio
Statement of Net Position - Cash Basis
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 8,958,497
<i>Total Assets</i>	<i>8,958,497</i>
Net Position	
Restricted for:	
Capital Outlay	372,339
Debt Service	507,861
Permanent Funds	
Expendable	33
Non-expendable	2,000
Other Purposes	471,566
Unrestricted	7,604,698
<i>Total Net Position</i>	<i>\$ 8,958,497</i>

See accompanying notes to the basic financial statements.

Allen East Local School District
Allen County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ending June 30, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 4,422,158	\$ 974,927	\$ 20,531	\$ (3,426,700)
Special	805,272	48,174	466,267	(290,831)
Other	530,353	0	0	(530,353)
Support Services:				
Pupils	658,722	0	206,505	(452,217)
Instructional Staff	762,232	0	10,811	(751,421)
Board of Education	37,288	0	0	(37,288)
Administration	786,456	0	1,560	(784,896)
Fiscal	263,989	0	0	(263,989)
Business	40,748	0	0	(40,748)
Operation and Maintenance of Plant	1,118,382	0	17,630	(1,100,752)
Pupil Transportation	488,418	0	3,820	(484,598)
Central	300	0	0	(300)
Operation of Non-Instructional Services:				
Food Service Operations	475,151	274,963	183,513	(16,675)
Extracurricular Activities	369,348	176,291	8,114	(184,943)
Capital Outlay	194,405	0	0	(194,405)
Debt Service:				
Principal Retirement	125,108	0	0	(125,108)
Interest and Fiscal Charges	453,377	0	0	(453,377)
Totals	\$ 11,531,707	\$ 1,474,355	\$ 918,751	(9,138,601)

General Receipts

Property Taxes Levied for:	
General Purposes	2,696,418
Debt Service	514,607
Capital Outlay	153,486
Classroom Facilities Maintenance	43,738
Grants and Entitlements not Restricted to Specific Programs	6,819,987
Proceeds from Sale of Assets	5,000
Interest	66,836
Miscellaneous	70,614
<i>Total General Receipts</i>	<u>10,370,686</u>
<i>Change in Net Position</i>	1,232,085
<i>Net Position Beginning of Year</i>	<u>7,726,412</u>
<i>Net Position End of Year</i>	<u>\$ 8,958,497</u>

See accompanying notes to the basic financial statements.

Allen East Local School District
Allen County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 6,822,444	\$ 2,136,053	\$ 8,958,497
<i>Total Assets</i>	<u>\$ 6,822,444</u>	<u>\$ 2,136,053</u>	<u>\$ 8,958,497</u>
Fund Balances			
Nonspendable	\$ 521	\$ 2,000	\$ 2,521
Restricted	0	1,351,799	1,351,799
Committed	183,449	0	183,449
Assigned	1,005,183	800,000	1,805,183
Unassigned	5,633,291	(17,746)	5,615,545
<i>Total Fund Balances</i>	<u>\$ 6,822,444</u>	<u>\$ 2,136,053</u>	<u>\$ 8,958,497</u>

See accompanying notes to the basic financial statements.

Allen East Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ending June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 2,696,418	\$ 711,831	\$ 3,408,249
Intergovernmental	7,033,371	684,232	7,717,603
Investment Income	66,831	303	67,134
Tuition and Fees	1,020,111	0	1,020,111
Rent	9,591	0	9,591
Extracurricular Activities	12,719	156,971	169,690
Gifts and Donations	12,723	8,114	20,837
Charges for Services	0	274,963	274,963
Miscellaneous	56,416	14,198	70,614
<i>Total Receipts</i>	<u>10,908,180</u>	<u>1,850,612</u>	<u>12,758,792</u>
Disbursements			
Current:			
Instruction:			
Regular	4,397,956	24,202	4,422,158
Special	674,974	130,298	805,272
Other	530,353	0	530,353
Support Services:			
Pupils	452,410	206,312	658,722
Instructional Staff	744,490	17,742	762,232
Board of Education	37,288	0	37,288
Administration	784,556	1,900	786,456
Fiscal	252,983	11,006	263,989
Business	40,748	0	40,748
Operation and Maintenance of Plant	1,000,379	118,003	1,118,382
Pupil Transportation	488,418	0	488,418
Central	300	0	300
Extracurricular Activities	226,599	142,749	369,348
Operation of Non-Instructional Services:			
Food Service Operations	0	475,151	475,151
Capital Outlay	0	194,405	194,405
Debt Service:			
Principal Retirement	0	125,108	125,108
Interest and Fiscal Charges	0	453,377	453,377
<i>Total Disbursements</i>	<u>9,631,454</u>	<u>1,900,253</u>	<u>11,531,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,276,726</u>	<u>(49,641)</u>	<u>1,227,085</u>
Other Financing Sources			
Proceeds from Sale of Assets	5,000	0	5,000
Transfers In	0	800,000	800,000
Transfers Out	(800,000)	0	(800,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(795,000)</u>	<u>800,000</u>	<u>5,000</u>
<i>Net Change in Fund Balances</i>	481,726	750,359	1,232,085
<i>Fund Balances Beginning of Year</i>	<u>6,340,718</u>	<u>1,385,694</u>	<u>7,726,412</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,822,444</u>	<u>\$ 2,136,053</u>	<u>\$ 8,958,497</u>

See accompanying notes to the basic financial statements.

Allen East Local School District
Allen County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ending June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,606,608	\$ 2,606,608	\$ 2,696,418	\$ 89,810
Intergovernmental	7,147,800	7,147,800	7,033,371	(114,429)
Interest	12,898	12,898	66,831	53,933
Tuition and Fees	1,011,518	1,011,518	1,020,111	8,593
Rent	3,500	3,500	2,990	(510)
Gifts and Donations	2,000	2,000	1,301	(699)
Miscellaneous	5,000	5,000	2,063	(2,937)
<i>Total Receipts</i>	<u>10,789,324</u>	<u>10,789,324</u>	<u>10,823,085</u>	<u>33,761</u>
Disbursements				
Current:				
Instruction:				
Regular	5,679,775	5,547,676	4,383,318	1,164,358
Special	798,500	1,148,500	675,649	472,851
Other	796,000	576,000	530,353	45,647
Support Services:				
Pupils	529,669	624,670	427,040	197,630
Instructional Staff	712,511	842,511	744,490	98,021
Board of Education	97,140	99,640	37,357	62,283
Administration	981,714	872,714	785,583	87,131
Fiscal	290,300	290,300	253,788	36,512
Business	50,200	52,200	40,748	11,452
Operation and Maintenance of Plant	1,547,074	1,362,074	1,049,787	312,287
Pupil Transportation	830,500	575,501	508,418	67,083
Central	1,000	1,000	300	700
Extracurricular Activities	227,300	232,900	216,374	16,526
<i>Total Disbursements</i>	<u>12,541,683</u>	<u>12,225,686</u>	<u>9,653,205</u>	<u>2,572,481</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,752,359)</u>	<u>(1,436,362)</u>	<u>1,169,880</u>	<u>2,606,242</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	2,500	2,500	5,000	2,500
Refund of Prior Year Expenditures	32,000	32,000	50,131	18,131
Transfers In	100,000	452,602	0	(452,602)
Transfers Out	(684,000)	(1,352,602)	(1,000,000)	352,602
<i>Total Other Financing Sources (Uses)</i>	<u>(549,500)</u>	<u>(865,500)</u>	<u>(944,869)</u>	<u>(79,369)</u>
<i>Net Change in Fund Balance</i>	(2,301,859)	(2,301,862)	225,011	2,526,873
<i>Fund Balance Beginning of Year</i>	6,188,908	6,188,908	6,188,908	0
Prior Year Encumbrances Appropriated	111,345	111,345	111,345	0
<i>Fund Balance End of Year</i>	<u>\$ 3,998,394</u>	<u>\$ 3,998,391</u>	<u>\$ 6,525,264</u>	<u>\$ 2,526,873</u>

See accompanying notes to the basic financial statements.

Allen East Local School District
Allen County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 70,180	\$ 26,915
<i>Total Assets</i>	<u>\$ 70,180</u>	<u>\$ 26,915</u>
Net Position		
Held for Students	\$ 0	\$ 25,671
Held in Trust for Scholarships	70,180	0
Held for Staff	0	1,244
<i>Total Net Position</i>	<u>\$ 70,180</u>	<u>\$ 26,915</u>

See accompanying notes to the basic financial statements.

Allen East Local School District
Allen County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ending June 30, 2017

	Scholarship
Additions	
Gifts and Contributions	\$ 1,593
Interest	164
Miscellaneous	1,275
<i>Total Additions</i>	3,032
 Deductions	
Payments in Accordance with Trust Agreements	4,350
<i>Change in Net Position</i>	(1,318)
<i>Net Position Beginning of Year</i>	71,498
<i>Net Position End of Year</i>	\$ 70,180

See accompanying notes to the basic financial statements.

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Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Allen East 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/or federal guidelines.

The School District consists of three small communities and surrounding rural areas within Allen County. The School District is staffed by non-certificated employees and certificated full-time teaching personnel who provide services to students and other community members.

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Allen East 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. There are no component units of the Allen East Local School District.

The School District is associated with two organizations which are defined as jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Apollo Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan/OASBO and the Allen County Schools Health Benefits Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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

B. Basis of Presentation - Fund Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and statement of activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at year end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

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. The focus of governmental fund financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets or fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental fund is at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental fund is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

The funds of the financial reporting entity are described below:

Governmental Funds

Governmental funds are those through which all governmental functions of the School District are financed. The following is the School District's major governmental fund:

General Fund	The General Fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the laws of Ohio.
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The other governmental funds of the School District account for grants and other resources in which the School District is bound to observe constraints imposed upon the use of the resources.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The School District's fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust fund accounts for scholarships. Agency funds are custodial in nature and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and staff-managed activities.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution Report, all of which are prepared on the budgetary basis of accounting for the original appropriations and at the fund/object level for subsequent modifications. The Certificate of Estimated Resources and the Appropriations Resolution Report are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

The Allen County Budget Commission has waived the requirement that school districts adopt and submit a tax budget. In lieu of the tax budget, school districts are required to submit the five-year forecast, the current bond estimated fund balance, and bond amortization schedules.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District Treasurer.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution Report, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted, committed or assigned fund balance for subsequent year disbursements of governmental funds.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in bank accounts. Monies for all funds, including proprietary funds, are maintained in accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records.

During fiscal year 2017, the School District invested in STAR Ohio, negotiable certificates of deposit, a mutual fund and a money market account. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, 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.

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 during fiscal year 2017 was \$66,831, which includes \$15,586 assigned from other School District funds.

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months which were not purchased from the cash management pool are reported as investments.

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

E. Property, Plant and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

F. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

G. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

H. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant money is received.

I. Interfund Transactions

During the course of normal operations, the School District may have numerous transactions between funds. The most common include:

1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

J. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and is displayed in separate components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2017, there was no amount restricted by enabling legislation.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

2. Unrestricted net position – All other net position that do not meet the definition of “restricted.”

The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as 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 governmental funds. The classifications are as follows:

1. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
2. 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.
3. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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.
4. Assigned - Amounts in the assigned 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 the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
5. 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.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

The School District first applies restricted resources when a disbursement is 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 disbursement are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales and operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, food service operations, capital outlay and debt service.

L. Pensions

For purposes of measuring the net pension liability, 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

M. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2017, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the School District's financial statements as the School District does not have any material GASB Statement No. 77 tax abatements.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the School District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the School District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

NOTE 3 - 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by Surety Company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 40 percent of the interim moneys available for investment at any one time;
8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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 securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was (\$19,019) and the bank balance was \$205,667. The entire bank balance was covered by federal depository insurance.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Investments

As of June 30, 2017, the School District had the following investments:

	Cost	Maturities		% of Total Investments
		< 1 year	1-3 years	
Negotiable Certificates of Deposit	\$ 1,988,000	\$ 497,000	\$ 1,491,000	21.91%
STAR Ohio	7,027,843	7,027,843	0	77.45%
Mutual Fund	31,547	31,547	0	0.34%
Money Markets	27,221	27,221	0	0.30%
	<u>\$ 9,074,611</u>	<u>\$ 7,583,611</u>	<u>\$ 1,491,000</u>	<u>100.00%</u>

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Custodial Credit Risk

For an investment, 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. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk

The School District has no investment policy dealing with credit risk beyond the requirements in state statutes. Ohio law requires that Government & Agency Mutual Funds and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Government & Agency Mutual Funds and STAR Ohio carry a credit rating of AAAM by S&P Global Ratings at June 30, 2017. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2017 is 46 days.

Concentration of Credit Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The table above includes the percentage of total of each investment type held by the School District at June 30, 2017.

NOTE 4 - 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.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Allen 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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 125,930,780	95%	\$ 125,838,100	93%
Public Utility Personal Property	6,645,740	5%	9,428,660	7%
Total	\$ 132,576,520	100%	\$ 135,266,760	100%
Tax rate per \$1,000 of assessed valuation	\$ 37.27		\$ 37.03	

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

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. For fiscal year 2017, the School District contracted with Ohio School Plan/Hylant Group for property, general liability, professional liability, and automobile insurance. Settled claims have not exceeded the commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

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B. Workers' Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program/OASBO ("GRP"), an insurance purchasing pool (Note 13). 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 worker's 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 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 share 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 Comp Management provides administrative, cost control, and actuarial services to the GRP.

C. Health Care Benefits

The School District participates in the Allen County Schools Health Benefit Plan (the "Plan"), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. This plan is administered by Medical Mutual. In addition to the health benefits provided to employees under the Allen County Schools Health Benefit Plan disclosed in Note 13, the School District offers vision insurance, life insurance benefits and a cafeteria 125 flexible plan to all eligible employees as an option under this plan. The vision insurance is administered by Fidelity Securities. The life insurance is administered by Dearborn National Life Insurance. The cafeteria 125 plan is administered by American Fidelity.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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 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.

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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.

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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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’

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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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was \$174,432 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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 August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 plan. The optional annuitization of a member's defined contribution account or the defined

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contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$569,512 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability is based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Employer contributions were determined based on the 14 percent employer rate and total member contributions from employer payroll reports for the year ended June 30, 2016:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 12,654,958	\$ 2,569,743	\$ 15,224,701
Proportion of the Net Pension Liability	0.03780645%	0.03511020%	

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.

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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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.50 percent net of investment 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 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The discount rate, assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the June 30, 2016 actuarial valuation. The rates of withdrawal, retirement and disability and mortality rates were also updated to more closely reflect actual experience.

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

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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
	<u>100.00 %</u>	

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 earnings 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 School District's proportionate share of 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	\$ 3,402,179	\$ 2,569,743	\$ 1,872,959

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	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 paid on fifth anniversary of retirement date

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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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00 %	

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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 as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 16,817,411	\$ 12,654,958	\$ 9,143,684

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

NOTE 7 - POSTEMPLOYMENT BENEFITS

A. 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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$16,875.

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For fiscal years 2016 and 2017, SERS did not allocate employer contributions to the Health Care fund. The School District's contributions for health care for the fiscal year ended June 30, 2015, was \$26,090. The full amount has been contributed for fiscal year 2015.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board 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. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care; therefore, the School District did not contribute to health care in the last three fiscal years.

NOTE 8 - EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Administrators and certain classified employees earn ten to twenty-two 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. Sick leave may be accumulated up to a maximum of 240 days for 12-month employees and certified personnel, up to 210 days for ten-month classified personnel, and up to 190 days for 9-month classified personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of 46 days.

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NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Outstanding</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Outstanding</u> <u>6/30/2017</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<u>General Obligation Bonds</u>						
2004 Bond Issue						
Capital Appreciation	13.77%	\$ 55,108	\$ 0	\$ 55,108	\$ 0	\$ 0
Accretion of Interest		214,356	15,536	229,892	0	0
2007 Bond Issue						
Current Interest	3.70-4.20%	5,475,000	0	70,000	5,405,000	0
Capital Appreciation	33.76-	29,996	0	0	29,996	13,236
Accretion of Interest		495,791	192,952	0	688,743	317,080
Total General Obligation Bonds		<u>\$6,270,251</u>	<u>\$208,488</u>	<u>\$ 355,000</u>	<u>\$6,123,739</u>	<u>\$330,316</u>

2004 Various Purpose General Obligation Bonds - In July 2004, the School District issued \$8,499,992 in voted general obligation bonds for the acquisition, construction, and improvement to buildings and structures. Current interest serial bonds and current interest term bonds in the amount of \$3,405,000 and \$4,905,000, respectively, were issued July 1, 2004. Capital appreciation bonds were issued July 29, 2004 in the amount of \$189,992. The bonds are being retired from the Bond Retirement debt service fund. The bonds with original maturities of December 1, 2017-2031, in the total amount of \$6,124,996 were refunded in April, 2007.

The current interest serial bonds matured in fiscal year 2014.

The capital appreciation bonds matured in fiscal years 2015 through 2017 and were not subject to redemption prior to maturity. The maturity amount of the bonds is \$855,000. \$285,000 matured in fiscal year 2016 and \$285,000 matured in fiscal year 2017.

The current interest term bonds originally maturing on December 1, 2025 and December 1, 2031, have been refunded by the April, 2007 refunding bonds.

2007 Various Purpose General Obligation Refunding Bonds - In April 2007, the School District issued \$6,124,996 in voted general obligation bonds to refund the 2004 issue for the acquisition, construction, and improvement to buildings and structures at a net premium of \$566,368. Current interest serial bonds and current interest term bonds in the amount of \$1,445,000 and \$4,650,000, respectively, were issued. Capital appreciation bonds were issued in the amount of \$29,996. The bonds are being retired from the Bond Retirement debt service fund.

The current interest serial bonds will mature in fiscal years 2021-2023 on each December 1.

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The capital appreciation bonds will mature in fiscal years 2018 through 2020 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$1,075,000. For fiscal year 2017, \$192,952 was accreted for total bond value of \$718,739.

The current interest term bonds matured on December 1, 2016, were subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, 2014 and 2015. Unless otherwise called for redemption, the remaining \$70,000 principal amount of the bonds due December 1, 2016, were to be paid at stated maturity in fiscal year 2017.

The current interest term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, 2023 and each December 1 thereafter. Unless otherwise called for redemption, the remaining \$495,000 principal amount of the bonds due December 1, 2028, is to be paid at stated maturity in fiscal year 2029.

The current interest term bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, 2029 and 2030. Unless otherwise called for redemption, the remaining \$560,000 principal amount of the bonds due December 1, 2031, is to be paid at stated maturity in fiscal year 2032.

Future principal and interest requirements as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	2007 Bond Issue	Interest/ Accretion	Total
2018	\$ 13,236	\$ 568,849	\$ 582,085
2019	9,704	572,381	582,085
2020	7,056	570,028	577,084
2021	360,000	214,885	574,885
2022	375,000	200,185	575,185
2023-2027	2,105,000	755,978	2,860,978
2028-2032	<u>2,565,000</u>	<u>277,800</u>	<u>2,842,800</u>
Total	<u>\$ 5,434,996</u>	<u>\$3,160,106</u>	<u>\$8,595,102</u>

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NOTE 10 - STATUTORY RESERVES

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

During the fiscal year ended June 30, 2017, the set-aside activity was as follows:

	Capital Maintenance Reserve
Set-aside cash balance as of June 30, 2016	\$ 0
Current year set-aside requirement	201,621
Current year qualifying disbursements	<u>(235,252)</u>
Total	<u>\$ (33,631)</u>
Balance carried forward to fiscal year 2018	<u>\$ 0</u>
Set-aside restricted balance as of June 30, 2017	<u>\$ 0</u>

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

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Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 11 – FUND BALANCE

Fund balance is classified as non-spendable, 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 governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:			
Unclaimed Money	\$ 521	\$ 0	\$ 521
Library Endowment	0	2,000	2,000
Total Nonspendable	<u>521</u>	<u>2,000</u>	<u>2,521</u>
Restricted for:			
Permanent Improvements	0	372,340	372,340
Debt Service	0	507,861	507,861
Extracurricular Activities	0	80,392	80,392
Food Service Operations	0	15,882	15,882
Classroom Maintenance	0	375,292	375,292
Other Purposes	0	32	32
Total Restricted	<u>0</u>	<u>1,351,799</u>	<u>1,351,799</u>
Committed:			
Severance	183,449	0	183,449
Total Committed	<u>183,449</u>	<u>0</u>	<u>183,449</u>
Assigned for:			
Encumbrances			
Instruction	48,850	0	48,850
Support Services	298,431	0	298,431
Capital Outlay	0	800,000	800,000
Subsequent Year Appropriations	657,902	0	657,902
Total Assigned	<u>1,005,183</u>	<u>800,000</u>	<u>1,805,183</u>
Unassigned	<u>5,633,291</u>	<u>(17,746) *</u>	<u>5,615,545</u>
Total Fund Balance	<u>\$ 6,822,444</u>	<u>\$ 2,136,053</u>	<u>\$ 8,958,497</u>

*Unassigned fund balance due to deficit fund balance in the Title I fund.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (“NOACSC”) is a jointly governed organization among fifty-five school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based on a per pupil charge dependent on the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Ray Burden, Executive Director, 645 South Main Street, Lima, Ohio 458047.

Apollo Career Center - The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, and it possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Career Center, Maria Rellinger, Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

NOTE 13 - GROUP PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan/OASBO - The School District participates in a group rating plan (“GRP”) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Ohio School Boards Association/OASBO as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. Each year, the participating districts pay an enrollment fee to cover the costs of administering the program.

Allen County Schools Health Benefits Plan - The School District participates in the Allen County Schools Health Benefits Plan (the “Plan”), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County Educational Service Center. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c) (9) of the Internal Receipt Code and provides medical, dental, vision, & life insurance benefits to the employees of the participating school districts. Each participating school district’s superintendent is appointed to a Board of Directors which advises the Trustee, Allen County Educational Service Center, concerning aspects of the administration of the Plan.

Each school district decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Steve Arnold, Chairman, 1920 Slabtown Rd., Lima, Ohio 45801.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 14 - LEASE

The School District is obligated under an operating lease agreement with Perry Pro-Tech Corporation for copiers. This agreement does not give rise to property rights. The lease is for a term of 13,236,000 prints and began in April, 2013. There were lease payments of \$24,270 made to Perry Pro-Tech Corporation during fiscal year 2017. Monthly payments are made from the general fund.

NOTE 15 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As a result of these FTE reviews performed in fiscal year 2018, the School District received a \$27,509.77 increase in fiscal year 2018 from ODE. This amount has not been included in the financial statements.

D. Other Commitments

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

<u>Fund</u>	<u>Amount</u>
General	\$ 79,921
Nonmajor Governmental	114,221
	<u>\$194,142</u>

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 16 – COMPLIANCE

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2017, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

NOTE 17 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	<u>General Fund</u>
Cash basis	\$ 481,726
Funds budgeted elsewhere **	(176,894)
Adjustment for encumbrances	<u>(79,821)</u>
Budget basis	<u><u>\$225,011</u></u>

** As part of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the uniform school supplies, band horn rental, severance, unclaimed monies and public student support funds.

NOTE 18 – INTERFUND TRANSACTIONS

During the fiscal year, the general fund transferred \$800,000 to the capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets over the next ten years.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

NOTE 19 – SUBSEQUENT EVENT

On September 12, 2017, the School District issued \$5,404,986 in various purpose refunding bonds. The bond issuance consists of serial and serial capital appreciation bonds. The current interest bonds bear interest at rates ranging from 1.61 percent to 4.00 percent and are scheduled to mature on December 1, 2031.

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Dave Yost • Auditor of State

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

Allen East Local School District
Allen County
9105 Harding Highway
Harrod, Ohio 45850

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Allen East Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2017, 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 June 27, 2018, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

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Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2018

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017

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

FINDING NUMBER 2017-001

Significant Deficiency – Payroll Bank to Book Reconciliation

Monthly bank to book reconciliations are prepared by the School District to provide assurance on the accuracy and completeness of the activity and balances reported in the accounting records and bank statements. At June 30, 2017, there was a difference of \$3,844 related to the payroll zero balance account adjustment. The amount reported on the bank to book reconciliation for the payroll zero balance adjustment was \$54,988. The supporting documentation for this adjustment amount was an outstanding payroll check list of \$28,077 and an outstanding electronic fund transfer listing of \$30,755 for a total of \$58,832. The variance between the payroll zero balance adjustment and the payroll outstanding checks and electronic fund transfers varied throughout fiscal year 2017, however the reason for the differences cannot be explained. This variance has existed for several years without being resolved.

Unresolved variances increase the risk that errors and/or irregularities will not be detected in a timely manner.

The School District should continue to work towards resolving the variance in this account. Once resolved, subsequent unexplained variances in this account or other School District accounts should be investigated and resolved in a timely manner.

OFFICIALS' RESPONSE: The payroll bank account variance was related to errors in processing deposits related to the zero balance account many years ago. The variance was resolved in April of 2018 so the account is properly balanced.

FINDING NUMBER 2017-002

Noncompliance Citation

Ohio Rev. Code § 117.38 provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires all school districts to file annual financial reports in accordance with generally accepted accounting principles. The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

FINDING NUMBER 2017-002
(Continued)

To help provide users with more meaningful financial statements, the School District should prepare its financial statements in accordance with generally accepted accounting principles.

OFFICIALS' RESPONSE: The School District has made the decision to report on the cash basis of accounting for financial purposes and plans to continue reporting on the cash basis of accounting for future financial statements.

Allen East Local Schools

9105 Harding Highway
 Harrod, Ohio 45850
 Phone (419) 648-3333
 Fax (419) 648-5282
 www.ae.k12.oh.us



Mel Rentschler, Superintendent
Andrea Snyder, Treasurer/CFO
Heather Patterson, Elementary Principal
Jarrold Wehri, Middle School Principal
Keith Baumgartner, High School Principal

ALLEN EAST LOCAL SCHOOL DISTRICT ALLEN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Significant Deficiency - Unresolved variances within payroll bank to book reconciliations.	Partially Corrected	The School District has historically had a variance of \$3,844.48 in the zero-balance payroll account. This error has been fixed and fully corrected in April 2018.
2016-002	Ohio Rev. Code §117.38 and Ohio Admin. Code §117-2-03 (B) – Failure to file financial statements in accordance with generally accepted accounting principles. This comment was first reported in the audit for fiscal year ended June 30, 2004.	Not Corrected	The School District acknowledges this requirement but will continue to report on the modified cash basis in order to save resources for the District.

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Dave Yost • Auditor of State

ALLEN EAST LOCAL SCHOOL DISTRICT

ALLEN 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
JULY 17, 2018**