



OHIO AUDITOR OF STATE
KEITH FABER



**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2022**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Auditor’s Report | 1 |
| Prepared by Management: | |
| Management’s Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position – Cash Basis | 11 |
| Statement of Activities – Cash Basis | 12 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances Cash Basis - Governmental Funds | 13 |
| Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds | 14 |
| Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance Budget and Actual (Budget Basis) – General Fund | 15 |
| Statement of Fiduciary Net Position Cash Basis - Fiduciary Fund | 16 |
| Statement of Changes in Fiduciary Net Position Cash Basis - Fiduciary Fund | 17 |
| Notes to the Basic Financial Statements..... | 19 |
| Schedule of Expenditures of Federal Awards | 51 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 52 |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 53 |
| Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 55 |
| Schedule of Findings..... | 59 |
| Prepared by Management: | |
| Summary Schedule of Prior Audit Findings | 61 |
| Corrective Action Plan | 63 |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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

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 Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each 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, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter - Accounting Basis

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

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 6, 2023

This page intentionally left blank.

Allen East Local School District
Allen County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
(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, 2022. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- ❑ In total, net position increased \$1,197,784.
- ❑ In fiscal year 2022 the School District debt decreased from \$4,936,986 to \$4,524,663.

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 Local School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2022, the general fund is by far 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.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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 and debt service.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in custodial funds. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

This space intentionally left blank

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

The School District as a Whole

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

(Table 1)
Net Position – Cash Basis

| | Governmental Activities | | |
|--|-------------------------|----------------------|---------------------|
| | 2022 | 2021 | Change |
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 16,145,970 | \$ 14,948,186 | \$ 1,197,784 |
| <i>Total Assets</i> | <u>16,145,970</u> | <u>14,948,186</u> | <u>1,197,784</u> |
| Net Position | | | |
| Restricted for: | | | |
| Capital Outlay | 958,571 | 789,310 | 169,261 |
| Debt Service | 554,857 | 569,728 | (14,871) |
| Permanent Funds | | | |
| Expendable | 169 | 160 | 9 |
| Non-expendable | 2,000 | 2,000 | - |
| Other Purposes | 1,410,882 | 1,207,354 | 203,528 |
| Unrestricted | <u>13,219,491</u> | <u>12,379,634</u> | <u>839,857</u> |
| <i>Total Net Position</i> | <u>\$ 16,145,970</u> | <u>\$ 14,948,186</u> | <u>\$ 1,197,784</u> |

The increase in net position is discussed after Table 2.

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

This space intentionally left blank

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

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

(Table 2)
Changes in Net Position – Cash Basis

| | Governmental Activities | | |
|--|-------------------------|----------------------|---------------------|
| | 2022 | 2021 | Change |
| Receipts | | | |
| Program Receipts | | | |
| Charges for Services and Sales | \$ 803,997 | \$ 1,618,006 | \$ (814,009) |
| Operating Grants, Contributions and Interest | 1,927,131 | 2,299,901 | (372,770) |
| Capital Grants, Contributions and Interest | 20,846 | - | 20,846 |
| <i>Total Program Receipts</i> | <u>2,751,974</u> | <u>3,917,907</u> | <u>(1,165,933)</u> |
| General Receipts | | | |
| Property Taxes | 3,748,465 | 3,596,160 | 152,305 |
| Grants and Entitlements not Restricted to Specific Programs | 7,853,864 | 6,810,436 | 1,043,428 |
| Proceeds from Sale of Assets | 3,840 | 4,520 | (680) |
| Interest | 65,854 | 98,080 | (32,226) |
| Miscellaneous | 44,921 | 141,870 | (96,949) |
| <i>Total General Receipts</i> | <u>11,716,944</u> | <u>10,651,066</u> | <u>1,065,878</u> |
| <i>Total Receipts</i> | <u>14,468,918</u> | <u>14,568,973</u> | <u>(100,055)</u> |
| Program Disbursements | | | |
| Instruction: | | | |
| Regular | 4,640,265 | 4,999,369 | (359,104) |
| Special | 1,262,380 | 1,099,031 | 163,349 |
| Vocational | 144,146 | 134,238 | 9,908 |
| Student Intervention Services | 1,359 | - | 1,359 |
| Other | 2,702 | 639,962 | (637,260) |
| Support Services: | | | |
| Pupils | 811,726 | 1,051,947 | (240,221) |
| Instructional Staff | 773,783 | 574,908 | 198,875 |
| Board of Education | 37,688 | 25,696 | 11,992 |
| Administration | 853,995 | 823,071 | 30,924 |
| Fiscal | 346,820 | 330,790 | 16,030 |
| Business | 37,026 | 37,035 | (9) |
| Operation and Maintenance of Plant | 858,098 | 993,802 | (135,704) |
| Pupil Transportation | 448,008 | 440,162 | 7,846 |
| Central | 67 | - | 67 |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 590,723 | 525,496 | 65,227 |
| Community Services | 6,834 | 2,975 | 3,859 |
| Extracurricular Activities | 754,050 | 446,039 | 308,011 |
| Capital Outlay | 1,157,520 | 42,238 | 1,115,282 |
| Debt Service: | | | |
| Principal Retirement | 411,209 | 415,586 | (4,377) |
| Interest and Fiscal Charges | 132,735 | 128,353 | 4,382 |
| <i>Total Program Disbursements</i> | <u>13,271,134</u> | <u>12,710,698</u> | <u>560,436</u> |
| <i>Change in Net Position</i> | <u>1,197,784</u> | <u>1,858,275</u> | <u>(660,491)</u> |
| <i>Net Position Beginning of Year</i> | <u>14,948,186</u> | <u>13,089,911</u> | <u>1,858,275</u> |
| <i>Net Position End of Year</i> | <u>\$ 16,145,970</u> | <u>\$ 14,948,186</u> | <u>\$ 1,197,784</u> |

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

Operating grants decreased due to the School District's allocation from the Coronavirus Relief Fund. The decrease in charges for services and correlating increase in grants and entitlements is attributed to a change in the foundation funding formula for open enrollment. This change also impacted other instruction disbursements. The increase in capital outlay is caused by the middle school expansion project.

The School District's Funds

| | Fund Balance at June 30, 2022 | Fund Balance at June 30, 2021 | Change |
|-----------------------|--|--|---------------|
| General Fund | \$ 7,660,797 | \$ 7,684,352 | \$ (23,555) |
| Capital Projects Fund | 5,565,395 | 4,696,677 | 868,718 |

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

The general fund's fund balance decreased due to normal operations.

The capital projects fund's fund balance increased in 2022 due to transfers in made for the purpose of accumulating resources for future projects.

General Fund Budgeting Highlights

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

Original Budget Compared to Final Budget During the course of fiscal year 2022, there were no significant changes between the original budgeted receipts, disbursements, and other financing sources and uses and the final budgeted receipts, disbursements, and other financing sources and uses for the general fund.

Final Budget Compared to Actual Results For fiscal year 2022, there were no significant changes between final budgeted receipts and actual receipts. The final budgeted disbursements were higher than the actual disbursements due to conservative spending.

Debt Administration

The School District's long-term obligations decreased due to scheduled principal payments.

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

Current Issues

The School District's major concern is the health and financial struggle that encompasses our state, country and global economy. School districts play a vital role in their communities and we believe it is important to maintain continuity of services to our students and staff. These financial statements are being filed during the recovery from the COVID-19 pandemic, which began in early 2020. The effects of the pandemic continue to have a significant impact on our economy. Inflation during April hit a 40-year high that has not seen since the early 1980's. While increased inflation impacting district costs are expected to continue in

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

the short term, it remains to be seen if these costs are transitory or will last over the next few years which could have a significant impact on our future financial state, in addition to negative effects on state and local funding.

Another major concern is always 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 2021-2023 biennial budget implemented what has been referred to as the Fair School Funding Plan (FSFP). The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. There will be no separate open enrollment revenue payments to school districts beginning in 2021-2022. There will also be direct funding to the district where students are educated for expenses previously deducted from districts state foundation funding for open enrollment, community schools, STEM schools and scholarship recipients.

This significant funding formula change has built in guarantees and phase-in amounts that has resulted in minimal revenue change for our 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.

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.

Allen East Local School District
Allen County, Ohio
Statement of Net Position - Cash Basis
June 30, 2022

| | <u>Governmental Activities</u> |
|--|--------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 16,145,970</u> |
| <i>Total Assets</i> | <u>16,145,970</u> |
| Net Position | |
| Restricted for: | |
| Capital Outlay | 958,571 |
| Debt Service | 554,857 |
| Permanent Funds | |
| Expendable | 169 |
| Non-expendable | 2,000 |
| Other Purposes | 1,410,882 |
| Unrestricted | <u>13,219,491</u> |
| <i>Total Net Position</i> | <u><u>\$ 16,145,970</u></u> |

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, 2022

| | Program Cash Receipts | | | | Net (Disbursements Receipts and Change in Net Position) |
|--|-----------------------|--------------------------------------|---|--|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants, Contributions and Interest | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$ 4,640,265 | \$ 125,230 | \$ 224,922 | \$ - | \$ (4,290,113) |
| Special | 1,262,380 | 203,004 | 276,288 | - | (783,088) |
| Vocational | 144,146 | - | 8,754 | - | (135,392) |
| Student Intervention Services | 1,359 | - | 1,365 | - | 6 |
| Other | 2,702 | - | - | - | (2,702) |
| Support Services: | | | | | |
| Pupils | 811,726 | 20,522 | 208,410 | - | (582,794) |
| Instructional Staff | 773,783 | 16,915 | 429,828 | - | (327,040) |
| Board of Education | 37,688 | - | - | - | (37,688) |
| Administration | 853,995 | - | - | - | (853,995) |
| Fiscal | 346,820 | - | 33,483 | 3,028 | (310,309) |
| Business | 37,026 | 1,346 | - | - | (35,680) |
| Operation and Maintenance of Plant | 858,098 | - | 10,672 | 17,818 | (829,608) |
| Pupil Transportation | 448,008 | - | 588 | - | (447,420) |
| Central | 67 | - | - | - | (67) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 590,723 | 121,871 | 683,015 | - | 214,163 |
| Community Services | 6,834 | 1,480 | 4,432 | - | (922) |
| Extracurricular Activities | 754,050 | 313,629 | 45,374 | - | (395,047) |
| Capital Outlay | 1,157,520 | - | - | - | (1,157,520) |
| Debt Service: | | | | | |
| Principal Retirement | 411,209 | - | - | - | (411,209) |
| Interest and Fiscal Charges | 132,735 | - | - | - | (132,735) |
| Totals | \$ 13,271,134 | \$ 803,997 | \$ 1,927,131 | \$ 20,846 | (10,519,160) |

General Receipts

| | |
|---|----------------------|
| Property Taxes Levied for: | |
| General Purposes | 3,069,415 |
| Debt Service | 460,808 |
| Capital Outlay | 170,579 |
| Classroom Facilities Maintenance | 47,663 |
| Grants and Entitlements not Restricted to Specific Programs | 7,853,864 |
| Proceeds from Sale of Assets | 3,840 |
| Interest | 65,854 |
| Miscellaneous | 44,921 |
| Total General Receipts | 11,716,944 |
| Change in Net Position | 1,197,784 |
| Net Position Beginning of Year | 14,948,186 |
| Net Position End of Year | \$ 16,145,970 |

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, 2022

| | General Fund | Capital Projects Fund | All Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------|------------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 7,660,797 | \$ 5,565,395 | \$ 2,919,778 | \$ 16,145,970 |
| <i>Total Assets</i> | <u>\$ 7,660,797</u> | <u>\$ 5,565,395</u> | <u>\$ 2,919,778</u> | <u>\$ 16,145,970</u> |
| Fund Balances | | | | |
| Nonspendable | \$ 1,420 | - | \$ 2,000 | \$ 3,420 |
| Restricted | - | - | 2,923,059 | 2,923,059 |
| Committed | 217,004 | - | - | 217,004 |
| Assigned | 1,269,945 | 5,565,395 | - | 6,835,340 |
| Unassigned | 6,172,428 | - | (5,281) | 6,167,147 |
| <i>Total Fund Balances</i> | <u>\$ 7,660,797</u> | <u>\$ 5,565,395</u> | <u>\$ 2,919,778</u> | <u>\$ 16,145,970</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, 2022

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 3,069,415 | \$ - | \$ 679,050 | \$ 3,748,465 |
| Intergovernmental | 7,767,196 | - | 1,978,278 | 9,745,474 |
| Investment Income | 65,845 | - | 1,095 | 66,940 |
| Tuition and Fees | 328,234 | - | - | 328,234 |
| Rent | 3,182 | - | 3,300 | 6,482 |
| Extracurricular Activities | 38,783 | - | 308,627 | 347,410 |
| Gifts and Donations | 9,015 | - | 46,266 | 55,281 |
| Charges for Services | - | - | 121,871 | 121,871 |
| Miscellaneous | 41,021 | - | 3,900 | 44,921 |
| <i>Total Receipts</i> | <u>11,322,691</u> | <u>-</u> | <u>3,142,387</u> | <u>14,465,078</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,413,723 | - | 226,542 | 4,640,265 |
| Special | 983,967 | - | 278,413 | 1,262,380 |
| Vocational | 134,591 | - | 9,555 | 144,146 |
| Student Intervention Services | - | - | 1,359 | 1,359 |
| Other | 2,702 | - | - | 2,702 |
| Support Services: | | | | |
| Pupils | 477,665 | - | 334,061 | 811,726 |
| Instructional Staff | 208,938 | 135,800 | 429,045 | 773,783 |
| Board of Education | 37,688 | - | - | 37,688 |
| Administration | 853,995 | - | - | 853,995 |
| Fiscal | 333,299 | - | 13,521 | 346,820 |
| Business | 37,026 | - | - | 37,026 |
| Operation and Maintenance of Plant | 829,110 | - | 28,988 | 858,098 |
| Pupil Transportation | 447,422 | - | 586 | 448,008 |
| Central | 67 | - | - | 67 |
| Operation of Non-Instructional/Shared Services | | | | |
| Food Service Operations | - | - | 590,723 | 590,723 |
| Community Services | - | - | 6,834 | 6,834 |
| Extracurricular Activities | 259,893 | 167,962 | 326,195 | 754,050 |
| Capital Outlay | - | 1,157,520 | - | 1,157,520 |
| Debt Service: | | | | |
| Principal | - | - | 411,209 | 411,209 |
| Interest | - | - | 132,735 | 132,735 |
| <i>Total Disbursements</i> | <u>9,020,086</u> | <u>1,461,282</u> | <u>2,789,766</u> | <u>13,271,134</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>2,302,605</u> | <u>(1,461,282)</u> | <u>352,621</u> | <u>1,193,944</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Assets | 3,840 | - | - | 3,840 |
| Transfers In | - | 2,330,000 | - | 2,330,000 |
| Transfers Out | (2,330,000) | - | - | (2,330,000) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,326,160)</u> | <u>2,330,000</u> | <u>-</u> | <u>3,840</u> |
| <i>Net Change in Fund Balances</i> | (23,555) | 868,718 | 352,621 | 1,197,784 |
| <i>Fund Balances Beginning of Year</i> | <u>7,684,352</u> | <u>4,696,677</u> | <u>2,567,157</u> | <u>14,948,186</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 7,660,797</u> | <u>\$ 5,565,395</u> | <u>\$ 2,919,778</u> | <u>\$ 16,145,970</u> |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 2,957,892 | \$ 2,957,892 | \$ 3,069,415 | \$ 111,523 |
| Intergovernmental | 7,703,406 | 7,703,406 | 7,767,196 | 63,790 |
| Investment Income | 49,044 | 49,044 | 65,845 | 16,801 |
| Tuition and Fees | 303,617 | 303,617 | 328,234 | 24,617 |
| Rent | 500 | 500 | - | (500) |
| Gifts and Donations | 6,000 | 6,000 | 500 | (5,500) |
| Miscellaneous | 33,480 | 33,480 | 10,039 | (23,441) |
| <i>Total Receipts</i> | <u>11,053,939</u> | <u>11,053,939</u> | <u>11,241,229</u> | <u>187,290</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,618,148 | 4,611,448 | 4,393,108 | 218,340 |
| Special | 1,153,561 | 1,171,661 | 983,967 | 187,694 |
| Vocational | 143,882 | 150,432 | 134,621 | 15,811 |
| Other | 20,000 | 20,000 | 2,702 | 17,298 |
| Support Services: | | | | |
| Pupils | 552,700 | 521,800 | 452,074 | 69,726 |
| Instructional Staff | 244,715 | 235,315 | 187,871 | 47,444 |
| Board of Education | 46,195 | 52,195 | 37,688 | 14,507 |
| Administration | 900,250 | 913,350 | 854,390 | 58,960 |
| Fiscal | 361,775 | 366,375 | 333,653 | 32,722 |
| Business | 44,000 | 58,300 | 53,075 | 5,225 |
| Operation and Maintenance of Plant | 1,000,751 | 1,009,151 | 845,111 | 164,040 |
| Pupil Transportation | 538,632 | 528,432 | 463,733 | 64,699 |
| Central | - | 935 | 67 | 868 |
| Extracurricular Activities | 268,000 | 304,715 | 256,882 | 47,833 |
| <i>Total Disbursements</i> | <u>9,892,609</u> | <u>9,944,109</u> | <u>8,998,942</u> | <u>945,167</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,161,330</u> | <u>1,109,830</u> | <u>2,242,287</u> | <u>1,132,457</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 1,200 | 1,200 | 3,840 | 2,640 |
| Refund of Prior Year Expenditures | 27,781 | 27,781 | 26,663 | (1,118) |
| Refund of Prior Year Receipts | (5,000) | (5,000) | - | 5,000 |
| Transfers Out | (2,673,790) | (2,622,290) | (2,330,000) | 292,290 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(2,649,809)</u> | <u>(2,598,309)</u> | <u>(2,299,497)</u> | <u>298,812</u> |
| <i>Net Change in Fund Balance</i> | (1,488,479) | (1,488,479) | (57,210) | 1,431,269 |
| <i>Fund Balance Beginning of Year</i> | 7,313,484 | 7,313,484 | 7,313,484 | - |
| Prior Year Encumbrances Appropriated | 71,399 | 71,399 | 71,399 | - |
| <i>Fund Balance End of Year</i> | <u>\$ 5,896,404</u> | <u>\$ 5,896,404</u> | <u>\$ 7,327,673</u> | <u>\$ 1,431,269</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 Fund
June 30, 2022

| | Custodial |
|--|-----------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$ - |
| <i>Total Assets</i> | - |
| | |
| Net Position | |
| Held for Organizations | - |
| <i>Total Net Position</i> | \$ - |

See accompanying notes to the basic financial statements

Allen East Local School District
Allen County, Ohio
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ending June 30, 2022

| | Custodial |
|--|-----------|
| Additions | |
| Extracurricular Collected for Other Organizations | \$ 5,713 |
| <i>Total Additions</i> | 5,713 |
| Deductions | |
| Extracurricular Distributions to Other Organizations | 5,713 |
| <i>Total Deductions</i> | 5,713 |
| <i>Change in Net Position</i> | - |
| <i>Net Position Beginning of Year</i> | - |
| <i>Net Position End of Year</i> | \$ - |

See accompanying notes to the basic financial statements

This page intentionally left blank.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

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 jointly governed organizations and group purchasing pools as follows:

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (“NOACSC”) is a jointly governed organization among over 50 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. 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 the Executive Director, 4277 East Road, Elida, Ohio 45807.

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, Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

Ohio SchoolComp Worker's Compensation Group Rating Program, sponsored by the Ohio School Boards Association and the Ohio Association of School Business Officials - 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.

Council of Allen County Schools Health Benefits Consortium - The School District participates in the Council of Allen County Schools Health Benefits Consortium (the "Consortium"), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County Educational Service Center. The Consortium 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 Consortium. Each school district decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from the Chairman, 1920 Slabtown Rd., Lima, Ohio 45801.

Ohio School Plan - The School District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated, nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Stolly Insurance Group, and a member of the Hylant Group, Inc. The Hylant Group, Inc., is the Plan's administrator and is responsible for processing claims. Stolly Insurance Group serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from the Stolly Insurance Group, 1730 Allentown Road, Lima, OH 45805.

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, 2022
(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 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, 2022
(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 are the School District's major governmental funds:

| | |
|-----------------------|---|
| 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. |
| Capital Projects Fund | The Capital Projects Fund accounts for financial resources accumulated for the acquisition, construction, or improvement of fixed assets of the School District. |

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

The School District's fiduciary funds include a custodial fund. The custodial fund is used to account for Ohio High School Athletic Association activity.

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 are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for the original appropriations and at the fund/object level for subsequent modifications. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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.

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 for the original appropriations. Subsequent modifications are approved at the fund/object level. 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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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.

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 are maintained in accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records.

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

For the fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2022 was \$65,845, which includes \$33,953 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, 2022
(Continued)

E. Capital Assets

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

expenditure for specified purposes. At June 30, 2022, there was no amount restricted by enabling legislation.

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. Nonspendable - The nonspendable 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, 2022
(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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. Pensions and Other Postemployment Benefits (OPEB)

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

L. General Fund Reserve

By resolution the School District shall attempt to maintain a general fund budget stabilization reserve in an amount equal to minimum of thirty days equivalent operating expenditures but not to exceed five percent of the previous fiscal year's general fund revenues. The balance in the reserve fund at June 30, 2022, was \$574,467.

This budget stabilization reserve will be funded annually provided there is growth in the fiscal year end general operating balance. At the close of each fiscal year, the obligation of the reserve fund shall be met with a transfer from the general operating fund.

These reserve funds are set aside to provide a contingency available to address unexpected (and thus unbudgeted) and capital expenditures, any interruption or delay in the receipt of revenue, situations in which revenues are less than those that were forecasted and for extraordinary conditions beyond the control of the School District.

M. Implementation of New Accounting Principles

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

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

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

Interim monies 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;
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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

- 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, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
 5. 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 for a period not to exceed one hundred eighty days and commercial paper notes is not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim moneys available for investment at any one time if training requirements have been met;
 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. Except as noted above an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, \$13,662 of the School District's bank balance of \$263,662 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

Investments

As of June 30, 2022, the School District had the following investments:

| Rating | Investment | Measurement Amount | Maturity (in months) 0 - 12 | % Total Investments |
|--------|------------------------------------|-----------------------|-----------------------------------|---------------------------|
| | NAV: | | | |
| AAAm | STAR Ohio | \$ 8,611,016 | \$ 8,611,016 | 53.37% |
| AAAm | Money Market | 520,522 | 520,522 | 3.23% |
| | Cost: | | | |
| N/A | Negotiable Certificates of Deposit | 1,488,000 | 1,488,000 | 9.22% |
| Aaa | US Treasury Bill | 5,514,231 | 5,514,231 | 34.18% |
| | Totals | <u>\$ 16,133,769</u> | <u>\$ 16,133,769</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.

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. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2022, is 35 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 to 270 days and bankers’ acceptance should still be 180 days. The table above includes the percentage of total of each investment type held by the School District at June 30, 2022.

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.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected 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, 2022, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

| | 2021 Second- Half Collections | | 2022 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$ 134,445,580 | 92% | \$ 144,413,130 | 92% |
| Public Utility Personal Property | 11,268,960 | 8% | 12,170,200 | 8% |
| Total | \$ 145,714,540 | 100% | \$ 156,583,330 | 100% |
| Tax rate per \$1,000 of assessed valuation | \$ 36.03 | | \$ 35.89 | |

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. 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.

B. Workers' Compensation

The School District participated in the Ohio SchoolComp Worker's Compensation Group Rating Program ("GRP"), sponsored by the Ohio School Boards Association and the Ohio Association of School Business Officials, an insurance purchasing pool. 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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

NOTE 6 - DEFINED BENEFIT PENSION PLANS

The net pension liability and net OPEB liability/(asset) are disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework. The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

The remainder of this note includes the required pension disclosures. See Note 7 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire 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.

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

The School District's contractually required contribution to SERS was \$200,640 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

The Combined plan offers features of both the DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

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

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

The School District's contractually required contribution to STRS was \$735,912 for fiscal year 2022.

Pension Liabilities

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

| | SERS | STRS | Total |
|--|--------------|--------------|--------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.03660470% | 0.03878241% | |
| Prior Measurement Date | 0.03499910% | 0.03904085% | |
| Change in Proportionate Share | 0.00160560% | -0.00025844% | |
| Proportionate Share of the Net Pension Liability | \$ 1,350,607 | \$ 4,958,680 | \$ 6,309,287 |

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

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

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|-------------|
| School District's Proportionate Share of the Net Pension Liability | \$ 2,247,079 | \$ 1,350,607 | \$ 594,574 |

Actuarial Assumptions - STRS

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

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

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

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

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

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

*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| School District's Proportionate Share of the Net Pension Liability | \$ 9,285,751 | \$ 4,958,680 | \$ 1,302,314 |

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

Changes Between the Measurement Date and the Reporting Date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

NOTE 7 - DEFINED BENEFIT OPEB PLANS

See Note 6 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$19,500.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

Net OPEB Liability (Asset)

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

| | SERS | STRS |
|--|-------------|--------------|
| Proportion of the Net OPEB Liability (Asset): | | |
| Current Measurement Date | 0.03777900% | 0.03878200% |
| Prior Measurement Date | 0.03645700% | 0.03904100% |
| Change in Proportionate Share | 0.00132200% | -0.00025900% |
| Proportionate Share of the Net OPEB Liability (Asset) | \$ 714,999 | \$ (817,687) |

Actuarial Assumptions - SERS

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

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

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

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|---|------------------------------|--------------------|
| | School District's Proportionate Share of the Net OPEB Liability | \$ 885,970 | \$ 714,999 |
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| School District's Proportionate Share of the Net OPEB Liability | \$ 550,490 | \$ 714,999 | \$ 934,731 |

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

Actuarial Assumptions – STRS

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

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

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

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

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

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

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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|--------------|--------------------------|--------------|
| School District's Proportionate Share of the Net OPEB Liability (Asset) | \$ (690,001) | \$ (817,687) | \$ (924,349) |
| | | | |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| School District's Proportionate Share of the Net OPEB Liability (Asset) | \$ (920,027) | \$ (817,687) | \$ (691,134) |

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

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

NOTE 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

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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.

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2022 were as follows:

| | Balance Outstanding | | | Balance Outstanding | Due Within |
|--|---------------------|------------------|-------------------|---------------------|------------------|
| | 6/30/2021 | Additions | Reductions | 6/30/2022 | One Year |
| <u>General Obligation Bonds</u> | | | | | |
| 2017 Bond Issue | | | | | |
| Current Interest | \$3,265,000 | \$ - | \$ - | \$3,265,000 | \$ - |
| Capital Appreciation | 1,614,400 | - | 411,209 | 1,203,191 | 406,879 |
| Accretion of Interest | 57,586 | 17,677 | 18,791 | 56,472 | 23,121 |
| Total General Obligation Bonds | <u>\$4,936,986</u> | <u>\$ 17,677</u> | <u>\$ 430,000</u> | <u>\$4,524,663</u> | <u>\$430,000</u> |

2017 Various Purpose General Obligation Refunding Bonds - In August 2017, the School District issued \$5,404,986 in voted general obligation bonds to refund the 2007 various purpose general obligation refunding bonds at a premium of \$222,053. Current interest serial bonds in the amount of \$3,375,000 were issued. Capital appreciation bonds were issued in the amount of \$2,029,986. The bonds are being retired from the Bond Retirement debt service fund.

The remaining current interest serial bonds will mature in fiscal years 2026-2032 on each December 1 with an interest rate of 2.00 - 4.00 percent.

The capital appreciation bonds mature in fiscal years 2021 through 2025 and are not subject to redemption prior to maturity. Interest rates are 1.062 percent. The maturity amount of the bonds is \$2,145,000.

Future principal and interest requirements as of June 30, 2022 are as follows:

| Fiscal Year Ending June 30 | 2017 Bond Issue | Interest/ Accretion | Total |
|----------------------------|---------------------|------------------------|---------------------|
| 2023 | \$ 406,879 | \$ 137,065 | \$ 543,944 |
| 2024 | 402,592 | 141,352 | 543,944 |
| 2025 | 393,720 | 145,224 | 538,944 |
| 2026 | 425,000 | 109,694 | 534,694 |
| 2027 | 435,000 | 100,822 | 535,822 |
| 2028-2032 | 2,405,000 | 248,900 | 2,653,900 |
| Total | <u>\$ 4,468,191</u> | <u>\$ 883,057</u> | <u>\$ 5,351,248</u> |

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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, 2022, the set-aside activity was as follows:

| | <u>Capital Improvement</u> |
|---|--------------------------------|
| Set Aside Reserve Balance June 30, 2021 | \$ - |
| Current Year Set Aside Requirement | 192,130 |
| Current Year Disbursements | <u>(1,329,330)</u> |
| Total | <u>\$ (1,137,200)</u> |
| Balance Carried Forward to Fiscal Year 2023 | <u>\$ -</u> |
| Set Aside Reserve Balance June 30, 2022 | <u>\$ -</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.

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:

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

| | <u>General</u> | <u>Capital Projects</u> | <u>Other Governmental</u> | <u>Total Governmental</u> |
|--------------------------------|---------------------|-----------------------------|-------------------------------|-------------------------------|
| Nonspendable: | | | | |
| Unclaimed Money | \$ 1,420 | \$ - | \$ - | \$ 1,420 |
| Library Endowment | - | - | 2,000 | 2,000 |
| Total Nonspendable | <u>1,420</u> | <u>-</u> | <u>2,000</u> | <u>3,420</u> |
| Restricted for: | | | | |
| Permanent Improvements | - | - | 958,572 | 958,572 |
| Debt Service | - | - | 554,857 | 554,857 |
| Extracurricular Activities | - | - | 233,752 | 233,752 |
| Food Service Operations | - | - | 334,668 | 334,668 |
| Classroom Maintenance | - | - | 766,985 | 766,985 |
| Other Purposes | - | - | 74,225 | 74,225 |
| Total Restricted | <u>-</u> | <u>-</u> | <u>2,923,059</u> | <u>2,923,059</u> |
| Committed: | | | | |
| Severance | 217,004 | - | - | 217,004 |
| Total Committed | <u>217,004</u> | <u>-</u> | <u>-</u> | <u>217,004</u> |
| Assigned for: | | | | |
| Encumbrances | | | | |
| Instruction | 69 | - | - | 69 |
| Support Services | 55,199 | - | - | 55,199 |
| Extracurricular Activities | 43,213 | - | - | 43,213 |
| Capital Outlay | - | 5,565,395 | - | 5,565,395 |
| Subsequent Year Appropriations | 1,171,464 | - | - | 1,171,464 |
| Total Assigned | <u>1,269,945</u> | <u>5,565,395</u> | <u>-</u> | <u>6,835,340</u> |
| Unassigned | <u>6,172,428</u> | <u>-</u> | <u>(5,281)</u> | <u>6,167,147</u> |
| Total Fund Balance | <u>\$ 7,660,797</u> | <u>\$ 5,565,395</u> | <u>\$ 2,919,778</u> | <u>\$ 16,145,970</u> |

At June 30, 2022, the High Schools That Work grant fund and Title I fund had deficit fund balances of \$2,992 and \$2,289, respectively.

NOTE 12 – CONTINGENCIES AND SIGNIFICANT COMMITMENTS

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2022.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2022 Foundation Funding for the School District. As a result of the fiscal year 2022 reviews, the School District received an additional \$1,489 from ODE. This amount has not been included in the financial statements.

D. Encumbrance Commitments

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

| <u>Fund</u> | <u>Amount</u> |
|-----------------------|---------------------|
| General | \$ 55,268 |
| Capital Projects | 5,021,836 |
| Nonmajor Governmental | 162,321 |
| | <u>\$ 5,239,425</u> |

E. Contractual Commitments

As a result of projects that were in progress at June 30, 2022, the School District had the following outstanding contractual commitments at fiscal year-end:

| | <u>Contractual Commitment</u> | <u>Expended</u> | <u>Remaining Commitment</u> |
|--------------------------------------|-----------------------------------|---------------------|---------------------------------|
| Middle School Expansion and STEM lab | \$ 5,743,800 | \$ 3,704,193 | \$ 2,039,607 |
| Design for Middle School Expansion | 97,212 | 75,094 | 22,118 |
| Construction Monitoring | 10,134 | 5,787 | 4,347 |
| | <u>\$ 5,851,146</u> | <u>\$ 3,785,074</u> | <u>\$ 2,066,072</u> |

NOTE 13 – COMPLIANCE

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. 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 and deferred outflows, liabilities and deferred inflows, fund equities and disclosures that, while material, cannot be determined at this time.

Allen East Local School District
Allen County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2022
(Continued)

NOTE 14 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in cash basis 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 | |
|-----------------------------|--------------------|
| | General Fund |
| Cash basis | <u>\$ (23,555)</u> |
| Funds budgeted elsewhere ** | 21,613 |
| Adjustment for encumbrances | <u>(55,268)</u> |
| Budget basis | <u>\$ (57,210)</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 uniform rental, choir robe rental, severance, unclaimed monies and public student support funds.

NOTE 15 – INTERFUND TRANSACTIONS

During the fiscal year, the general fund transferred \$2,330,000 to the capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of capital assets over the next ten years.

NOTE 16 – COVID-19 PANDEMIC

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2022, the school district received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

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

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal AL Number | Total Federal Expenditures |
|--|-------------------------|-------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| <i>Passed Through Ohio Department of Education</i> | | |
| Child Nutrition Cluster: | | |
| Non-Cash Assistance (Food Distribution) | | |
| School Breakfast Program | 10.553 | \$2,424 |
| National School Lunch Program | 10.555 | 9,847 |
| Total Non-Cash Assistance | | <u>12,271</u> |
| Cash Assistance: | | |
| School Breakfast Program | 10.553 | 114,150 |
| National School Lunch Program | 10.555 | 446,631 |
| COVID-19 Special Milk Program for Children | 10.556 | 17,057 |
| Total Cash Assistance | | <u>577,838</u> |
| Total Child Nutrition Cluster: | | 590,109 |
| COVID-19 Pandemic EBT Administration Costs | 10.649 | 614 |
| Total U.S. Department of Agriculture | | <u>590,723</u> |
| U.S. DEPARTMENT OF EDUCATION | | |
| <i>Passed Through Ohio Department of Education</i> | | |
| Title I Grants to Local Educational Agencies | 84.010 | 97,633 |
| Special Education Cluster (IDEA) | | |
| Special Education_Grants to States | 84.027 | 221,757 |
| COVID-19 ARP Special Education_Grants to States | 84.027X | 49,357 |
| Special Education Preschool Grants | 84.173 | 11,080 |
| COVID-19 ARP Special Education Preschool Grants | 84.173X | 3,641 |
| Total Special Education Cluster (IDEA) | | <u>285,835</u> |
| Supporting Effective Instruction State Grants | 84.367 | 23,873 |
| Student Support and Academic Enrichment Program | 84.424 | 10,000 |
| COVID-19 Education Stabilization Fund | | |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER I & II) Fund | 84.425D | 4,586 |
| COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | 492,443 |
| Total COVID-19 Education Stabilization Fund | | <u>497,029</u> |
| Total U.S. Department of Education | | <u>914,370</u> |
| U.S. Federal Communications Commission | | |
| <i>Direct Program</i> | | |
| COVID-19 Emergency Connectivity Fund (ECF) Program | 32.009 | 221,600 |
| Total U.S. Federal Communications Commission | | <u>221,600</u> |
| Total Expenditures of Federal Awards | | <u>\$1,726,693</u> |

The accompanying notes are an integral part of this schedule

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

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

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2022 to 2023 programs:

| <u>Program Title</u> | AL Number | Amount Transferred |
|---|--------------|-----------------------|
| Title I Grants to Local Educational Agencies | 84.010 | \$ 10,853 |
| COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund | 84.425U | \$ 344,725 |

OHIO AUDITOR OF STATE KEITH FABER



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

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash-basis financial statements of the governmental activities, each 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, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 6, 2023, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District.

Report on Internal Control Over Financial Reporting

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

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

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

Efficient • Effective • Transparent

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

School District's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 6, 2023



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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

February 6, 2023

This page intentionally left blank.

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINIDNG NUMBER 2022-001

Noncompliance Citation

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

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

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

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District.

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

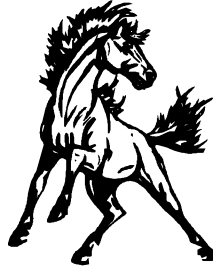
OFFICIAL'S RESPONSE: The School District has made the decision to report on the cash basis of accounting for financial purposes and plans to continue reporting on the cash basis of accounting for future financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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
Tiffini Flugga, Elementary Principal
Heather Patterson, Middle School Principal
Jeff Amspoker, High School Principal

ALLEN EAST LOCAL SCHOOL DISTRICT ALLEN COUNTY

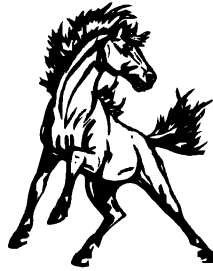
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2022

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|--|--|
| 2021-001 | 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. | Not Corrected – Repeated as Finding 2022-001 | The School District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District. This comment was first reported in the audit for fiscal year ended June 30, 2004. |

This page intentionally left blank.

Allen East Local Schools

9105 Harding Highway
Harrod, Ohio 45850
Phone (419) 648-3333
Fax (419) 648-5282
www.alleneastschools.org



Mel Rentschler, Superintendent
Andrea Snyder, Treasurer/CFO
Tiffini Flugga, Elementary Principal
Heather Patterson, Middle School Principal
Jeff Amspoker, High School Principal

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

| | |
|-------------------------------------|--|
| Finding Number: | 2022-001 |
| Planned Corrective Action: | The School District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District. |
| Anticipated Completion Date: | N/A |
| Responsible Contact Person: | Andrea Snyder, Treasurer |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



ALLEN EAST LOCAL SCHOOL DISTRICT

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/14/2023

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

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