

**Allen East Local School District**  
**Allen County**  
*Basic Financial Statements – Cash Basis*

For the Fiscal Year Ended June 30, 2009



**Rea & Associates, Inc.**

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*





Mary Taylor, CPA  
Auditor of State

Board of Education  
Allen East Local School District  
9105 Harding Highway  
Harrod, Ohio 45850

We have reviewed the *Independent Auditor's Report* of the Allen East Local School District, Allen County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 11, 2009

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**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 12, 2009

The Board of Education  
Allen East Local School District  
Harrod, Ohio 45850

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Allen East Local School District (the "School District"), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code §117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2009, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009 on our consideration of the Allen East Local 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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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, 2009. 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 2009 are as follows:

- General Receipts accounted for \$7,803,447 in receipts, or 79 percent of all receipts.
- Total program disbursements were \$9,811,207.
- In total, net assets increased \$24,581, mostly due to a lack of capital outlay disbursements as a result of the completion of the Ohio School Facilities Commission ("OSFC") project.

***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 Assets* 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 nonmajor funds presented in total in one column. For fiscal year 2009, the General Fund and OSFC Local/State Share Fund are the School District's major funds.

***Basis of Accounting***

The School District has elected to present its financial statements on the cash basis of accounting. This 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 assets will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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

*Statement of Net Assets 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 2009?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets 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 Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 6. 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 include the General Fund and the OSFC Local/State Share Fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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.

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

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as a private purpose trust. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 14 and 15. 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.



**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

***The School District as a Whole***

This year's financial statements were prepared on the cash basis utilizing the Governmental Accounting Standards Board ("GASB") 34 format. Table 1 provides a summary of the School District's net assets for fiscal years 2009 and 2008.

**(Table 1)  
Net Assets – Cash basis**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Equity in Pooled Cash & Cash Equivalents	\$ 7,336,131	\$ 7,311,550
<b>Total Assets</b>	<b>\$ 7,336,131</b>	<b>\$ 7,311,550</b>
<b>NET ASSETS</b>		
Restricted:		
Capital Outlay	\$ 3,740,772	\$ 3,921,764
Debt Service	225,590	208,231
Permanent Fund		
Expendable	20	520
Non-Expendable	2,000	2,000
Other Purposes	376,483	330,658
Unrestricted	2,991,266	2,848,377
<b>Total Net Assets</b>	<b>\$ 7,336,131</b>	<b>\$ 7,311,550</b>

Net assets of the governmental activities increased \$24,581, which represents a 0.3 percent increase from fiscal year 2008. The increase is the result of a significant decrease in capital outlay disbursements as a result of the completion of the OSFC building project.

A portion of the School District's net assets, \$4,344,865, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$2,991,266 may be used to meet the School District's ongoing obligations.

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

Table 2 shows the changes in net assets for fiscal year 2009 as compared to fiscal year 2008.

**(Table 2)  
Governmental Activities**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Receipts</b>		
<i>Program Receipts</i>		
Charges for Services	\$ 996,229	\$ 874,335
Operating Grants	929,403	977,242
Capital Grants	106,709	527,333
<i>General Receipts</i>		
Property Taxes	2,758,649	2,767,723
Grants and Entitlements	4,787,254	4,880,892
Other	257,544	244,386
<b>Total Receipts</b>	<b>9,835,788</b>	<b>10,271,911</b>
<i>Program Disbursements</i>		
Instruction	4,743,999	4,578,525
Support Services	3,373,151	3,231,149
Non-Instructional	56,063	53,859
Food Services	436,459	421,690
Extracurricular	313,355	289,877
Capital Outlay	311,784	3,266,439
Repayment of Debt	576,396	702,148
<b>Total Disbursements</b>	<b>9,811,207</b>	<b>12,543,687</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 24,581</b>	<b>\$ (2,271,776)</b>

***Governmental Activities***

Several receipt sources fund the School District's governmental activities with the school foundation program being the largest contributor. School foundation provided \$4.7 million in fiscal year 2009. Property tax levies generated \$2.8 million in fiscal year 2009. With the combination of taxes and school foundation funding of 76.7 percent of disbursements in governmental activities, the School District monitors both of these receipt sources very closely for fluctuations.

The majority of program disbursements for governmental activities are for instruction, which accounts for 48.4 percent of all governmental disbursements. Other programs, which support the instruction process account for 34.4 percent of total governmental disbursements. The remaining 17.2 percent of the School District's disbursements are related to the primary functions of delivering education and providing facilities.

**Allen East Local School District  
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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2009 and 2008.

**(Table 3)  
Governmental Activities**

	2009		2008	
	Total Cost of Service	Net (Receipts) Cost of Service	Total Cost of Service	Net (Receipts) Cost of Service
Instruction	\$ 4,743,999	\$ 3,850,668	\$ 4,578,525	\$ 3,693,068
Support Services:				
Pupil and Instructional Staff	702,451	476,617	620,565	407,932
Board of Education, Business, Administration and Fiscal	990,479	988,514	964,559	960,674
Operation and Maintenance of Plant	901,549	856,949	862,719	810,956
Pupil Transportation	536,296	476,894	587,277	566,259
Central	242,376	237,376	196,029	175,483
Operation of Non-Instructional	56,063	(5,518)	53,859	2,028
Food Services	436,459	(34,027)	421,690	(17,584)
Extracurricular Activities	313,355	196,172	289,877	174,483
Capital Outlay	311,784	252,748	3,266,439	2,773,478
Repayment of Debt	576,396	482,473	702,148	618,000
<b>Total</b>	<b>\$ 9,811,207</b>	<b>\$ 7,778,866</b>	<b>\$12,543,687</b>	<b>\$10,164,777</b>

Instruction and student support services comprise 55.5 percent of governmental program expenses in fiscal year 2009. Board of Education, Business, Administration and Fiscal charges were 10.1 percent in 2009. Fiscal expenses include payments to the County Auditor(s) for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of facilities accounted for 14.7 percent in 2009.

The dependence upon foundation revenues for governmental activities is apparent.

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has two major governmental funds: the General Fund and OSFC Local/State Share Fund. Receipts of the General Fund comprise \$7,745,101 (79.9 percent) of the total \$9,689,716 governmental funds' receipts and \$7,610,542 (77.6 percent) of the total \$9,811,207 governmental funds' disbursements. Receipts of the OSFC Local/State Share generated \$41,583 (0.4 percent) in receipts and utilized \$122,936 (1.3 percent) of the total governmental disbursements.

**General Fund** – The General Fund cash balance at June 30, 2009 was \$3,002,008, which represents 40.9 percent of total governmental funds' cash balances for fiscal year 2009. General fund receipts were more than disbursements by \$153,631 mostly due to an increase in tuition and fees receipts.

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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**OSFC Local/State Share Fund** – The OSFC Local/State Share Fund cash balance at June 30, 2009 was \$3,143,082, which represents 42.8 percent of total governmental funds' cash balances for fiscal year 2009. OSFC Local/State Share Fund receipts were less than disbursements by \$81,353.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2009, the School District did not amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis actual receipts were \$7,745,101 compared to the final budget estimates of \$7,873,280. Of this \$128,179 decrease, most was attributable to a decrease in intergovernmental and tax receipts.

General fund budget basis actual disbursements were \$7,679,624, which is under final budgeted disbursements of \$10,584,069 for fiscal year 2009. Actual instruction, operation and maintenance of plant, pupil transportation and administration disbursements were significantly under budgeted expectations. This was because, with the relatively recent move in to the new building, disbursements were budgeted higher than usual to ensure for any possible increases in costs for maintaining the new building.

***Debt Administration***

In 2004, the School District passed a bond issue providing \$8.5 million for the purpose of an Ohio School Facilities Commission project. The School District will be funded by the OSFC at 79 percent for their portion of the project.

In April 2007, the School District refunded the 2004 Issue's bonds that originally matured in 2017-2031 in the amount of \$6,124,996.

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

***Current Issues***

The Allen East Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. A prior emergency levy was passed by the residents of the district in November 1994, with the promise that the revenue generated by a levy would provide sufficient funding for five years. In November 2004, the Board of Education submitted a new emergency levy, which was approved by the residents.

The Board of Education implemented open enrollment for fiscal year 2006-2007 as a new receipt source. Receipts for open enrollment are expected to generate between \$350,000 to \$400,000 annually, with spending on enrollments elsewhere being approximately \$200,000.

The Board of Education refinanced its bond debt in April 2007. This refinancing saved the School District over \$300,000 in debt.

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

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009*

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Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for longer than it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Allen East Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District.

Another School District concern is the State Legislative approval of the biennial budget, which had a negative impact on the School District. How the legislature plans to fund educational programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

In the course of routine surveillance, Fitch Ratings has affirmed the A+ rating on Allen East Local School District's outstanding unlimited general obligation bonds series 2004 and 2007. The Rating Outlook is Stable. The A+ rating reflects the School District's strong, conservative financial management as evidenced by ample cash reserves, reliance on state aid and sparing use of expiring levies, which has insulated its reserves from the cyclical effects of periodic voter approvals that typify other Ohio school districts. The key rating driver is management's ability to continue current practices and maintain ample fiscal cushion given the economic downturn and fixed revenue streams.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rhonda Zimmerly, Treasurer of Allen East Local School District, 9105 Harding Highway, Harrod, OH 45850 or [ae\\_treas@noacsc.org](mailto:ae_treas@noacsc.org).

**Allen East Local School District  
Allen County**

*Statement of Net Assets - Cash Basis  
June 30, 2009*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 6,892,709
Cash and Cash Equivalents in Segregated Account	<u>443,422</u>
<i>Total Assets</i>	<u><u>\$ 7,336,131</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	\$ 3,740,772
Debt Service	225,590
Permanent Fund	
Expendable	20
Non-Expendable	2,000
Other Purposes	376,483
Unrestricted	<u>2,991,266</u>
<i>Total Net Assets</i>	<u><u>\$ 7,336,131</u></u>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2009*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 3,752,545	\$ 20,092	\$ 27,633	\$ 0	\$ (3,704,820)
Special	647,449	5,937	386,982	0	(254,530)
Adult/Continuing	2,430	0	3,356	0	926
Other	341,575	449,331	0	0	107,756
Support Services:					
Pupils	501,372	24,412	188,096	0	(288,864)
Instructional Staff	201,079	0	13,326	0	(187,753)
Board of Education	24,484	0	0	0	(24,484)
Administration	679,520	0	0	0	(679,520)
Fiscal	246,133	1,965	0	0	(244,168)
Business	40,342	0	0	0	(40,342)
Operation and Maintenance of Plant	901,549	0	44,600	0	(856,949)
Pupil Transportation	536,296	0	11,729	47,673	(476,894)
Central	242,376	0	5,000	0	(237,376)
Operation of Non-Instructional Services	56,063	61,581	0	0	5,518
Operation of Food Services	436,459	316,348	154,138	0	34,027
Extracurricular Activities	313,355	116,563	620	0	(196,172)
Capital Outlay	311,784	0	0	59,036	(252,748)
Repayment of Debt:					
Principal	285,000	0	93,923	0	(191,077)
Interest	291,396	0	0	0	(291,396)
<b>Total Governmental Activities</b>	<b>\$ 9,811,207</b>	<b>\$ 996,229</b>	<b>\$ 929,403</b>	<b>\$ 106,709</b>	<b>(7,778,866)</b>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			2,069,047
		Debt Service			510,832
		Capital Projects			138,771
		Building Maintenance			39,999
		Grants and Entitlements not Restricted to Specific Programs			4,787,254
		Interest			50,550
		Proceeds on Sale of Assets			130,000
		Miscellaneous			76,994
		<i>Total General Receipts</i>			<u>7,803,447</u>
		Change in Net Assets			24,581
		<i>Net Assets - Beginning of Year</i>			<u>7,311,550</u>
		<i>Net Assets - End of Year</i>			<u>\$ 7,336,131</u>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2009*

	<u>General Fund</u>	<u>OSFC Local/State Share Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,002,008	\$ 2,699,660	\$ 1,191,041	\$ 6,892,709
Cash and Cash Equivalents in Segregated Account	<u>0</u>	<u>443,422</u>	<u>0</u>	<u>443,422</u>
<i>Total Assets</i>	<u>\$ 3,002,008</u>	<u>\$ 3,143,082</u>	<u>\$ 1,191,041</u>	<u>\$ 7,336,131</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	\$ 69,082	\$ 27,365	\$ 181,097	\$ 277,544
Unreserved, Undesignated, Reported in:				
General Fund	2,932,926	0	0	2,932,926
Special Revenue Funds	0	0	321,264	321,264
Debt Service Funds	0	0	225,590	225,590
Capital Projects Funds	0	3,115,717	461,069	3,576,786
Permanent Fund	<u>0</u>	<u>0</u>	<u>2,021</u>	<u>2,021</u>
<i>Total Fund Balances</i>	<u>\$ 3,002,008</u>	<u>\$ 3,143,082</u>	<u>\$ 1,191,041</u>	<u>\$ 7,336,131</u>

See accompanying notes to the basic financial statements.



**Allen East Local School District  
Allen County**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009*

	General Fund	OSFC Local/State Share Fund	All Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,069,046	\$ 0	\$ 689,602	\$ 2,758,648
Intergovernmental	5,036,985	4,385	677,423	5,718,793
Interest	50,550	37,198	17,902	105,650
Tuition and Fees	475,361	0	63,086	538,447
Rent	5,222	0	0	5,222
Extracurricular Activities	0	0	134,010	134,010
Gifts and Donations	47,019	0	2,355	49,374
Customer Sales and Services	0	0	316,349	316,349
Miscellaneous	60,918	0	2,305	63,223
<b>Total Receipts</b>	<b>7,745,101</b>	<b>41,583</b>	<b>1,903,032</b>	<b>9,689,716</b>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,724,162	0	28,383	3,752,545
Special	548,312	0	99,137	647,449
Adult/Continuing	0	0	2,430	2,430
Other	341,575	0	0	341,575
<b>Support Services:</b>				
Pupils	277,849	0	223,523	501,372
Instructional Staff	183,404	0	17,675	201,079
Board of Education	24,484	0	0	24,484
Administration	679,520	0	0	679,520
Fiscal	231,204	0	14,929	246,133
Business	40,342	0	0	40,342
Operation and Maintenance of Plant	823,375	0	78,174	901,549
Pupil Transportation	394,326	0	141,970	536,296
Central	162,977	0	79,399	242,376
Operation of Non-Instructional Services	0	0	56,063	56,063
Operation of Food Services	0	0	436,459	436,459
Extracurricular Activities	179,012	0	134,343	313,355
Capital Outlay	0	122,936	188,848	311,784
<b>Debt Service:</b>				
Principal	0	0	285,000	285,000
Interest	0	0	291,396	291,396
<b>Total Disbursements</b>	<b>7,610,542</b>	<b>122,936</b>	<b>2,077,729</b>	<b>9,811,207</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>134,559</b>	<b>(81,353)</b>	<b>(174,697)</b>	<b>(121,491)</b>
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	3,000	0	127,000	130,000
Refund of Prior Year Disbursements	16,072	0	0	16,072
<b>Total Other Financing Sources</b>	<b>19,072</b>	<b>0</b>	<b>127,000</b>	<b>146,072</b>
<b>Net Change in Fund Balances</b>	<b>153,631</b>	<b>(81,353)</b>	<b>(47,697)</b>	<b>24,581</b>
<b>Fund Balance at Beginning of Year</b>	<b>2,848,377</b>	<b>3,224,435</b>	<b>1,238,738</b>	<b>7,311,550</b>
<b>Fund Balance at End of Year</b>	<b>\$ 3,002,008</b>	<b>\$ 3,143,082</b>	<b>\$ 1,191,041</b>	<b>\$ 7,336,131</b>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Cash Receipts, Disbursements and Changes In Fund Balance  
Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2009*

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,144,973	\$ 2,144,973	\$ 2,069,046	\$ (75,927)
Intergovernmental	5,172,952	5,172,952	5,036,985	(135,967)
Interest	74,800	74,800	50,550	(24,250)
Tuition and Fees	444,905	444,905	475,361	30,456
Rent	5,800	5,800	5,222	(578)
Gifts and Donations	25,000	25,000	47,019	22,019
Miscellaneous	4,850	4,850	60,918	56,068
<b>Total Receipts</b>	<b>7,873,280</b>	<b>7,873,280</b>	<b>7,745,101</b>	<b>(128,179)</b>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,513,851	4,513,851	3,730,238	783,613
Special	801,250	801,250	548,312	252,938
Other	395,500	395,500	341,575	53,925
<b>Support Services:</b>				
Pupils	320,843	320,843	277,986	42,857
Instructional Staff	202,242	202,242	183,927	18,315
Board of Education	69,475	69,475	24,484	44,991
Administration	872,700	872,700	679,520	193,180
Fiscal	257,000	257,000	231,288	25,712
Business	52,500	52,500	40,342	12,158
Operation and Maintenance of Plant	1,823,465	1,823,465	864,467	958,998
Pupil Transportation	742,998	742,998	414,226	328,772
Central	183,375	183,375	164,247	19,128
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	32,803	32,803	21,328	11,475
Occupation Oriented Activities	1,700	1,700	0	1,700
Sport Oriented Activities	175,200	175,200	130,857	44,343
School and Public Service Co-Curricular Activities	39,155	39,155	26,827	12,328
<b>Capital Outlay:</b>				
Other Facilities Acquisition and Construction	100,000	100,000	0	100,000
<b>Total Disbursements</b>	<b>10,584,057</b>	<b>10,584,057</b>	<b>7,679,624</b>	<b>2,904,433</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(2,710,777)</b>	<b>(2,710,777)</b>	<b>65,477</b>	<b>2,776,254</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	10,000	10,000	3,000	(7,000)
Refund of Prior Year Expenditures	26,000	26,000	16,072	(9,928)
Transfers In	1,300	1,300	0	(1,300)
Advances In	100	100	0	(100)
Other Financing Uses	(175,000)	(175,000)	0	175,000
<b>Total Other Financing Sources (Uses)</b>	<b>(137,600)</b>	<b>(137,600)</b>	<b>19,072</b>	<b>156,672</b>
<b>Net Change in Fund Balances</b>	<b>(2,848,377)</b>	<b>(2,848,377)</b>	<b>84,549</b>	<b>2,932,926</b>
<b>Fund Balance at Beginning of Year</b>	<b>2,780,397</b>	<b>2,780,397</b>	<b>2,780,397</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>67,980</b>	<b>67,980</b>	<b>67,980</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,932,926</b>	<b>\$ 2,932,926</b>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2009*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 79,877	\$ 20,957
<i>Total Assets</i>	<u>\$ 79,877</u>	<u>\$ 20,957</u>
<b>Net Assets</b>		
Held in Trust for:		
Scholarships	\$ 79,877	\$ 0
Student Activities	0	19,899
Staff	0	1,058
<i>Total Net Assets</i>	<u>\$ 79,877</u>	<u>\$ 20,957</u>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2009*

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	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	
Gifts and Contributions	\$ 194
Interest	<u>1,768</u>
<b>Total Additions</b>	1,962
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>2,000</u>
<b>Total Deductions</b>	<u>2,000</u>
<i>Change in Net Assets</i>	(38)
<i>Net Assets - Beginning of Year</i>	<u>79,915</u>
<i>Net Assets - End of Year</i>	<u>\$ 79,877</u>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

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

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

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

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

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

The School District is associated with two organizations, which are defined as jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Career Center, Ohio School Board Association Workers' Compensation Group Rating Plan and the Allen County Schools Health Benefits Plan. These organizations are presented in Notes 11 and 12 to the basic financial statements.

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

**A. Basis of Accounting**

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

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

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

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

**B. Basis of Presentation - Fund Accounting**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Assets 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 Assets 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 are 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 are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds/Governmental Activities**

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

**General Fund**

The General Fund is the primary operating fund of the School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

OSFC Local/State Share Fund      This fund accounts for the specific receipts to be used for the new school building project.

**Fiduciary Fund Types**

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

**C.      Budgetary Process**

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

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

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

**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.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**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.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

**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 legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution Report, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any 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. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

**Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year disbursements for governmental funds and reported in the notes to the financial statements for proprietary 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 a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records.

The School District also maintains a separate account that only includes monies for the OSFC project, which is included on the balance sheet as "Cash and Cash Equivalents in Segregated Account."

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 investment

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**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

**E. Property, Plant and Equipment**

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

**F. Compensated Absences**

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

**G. Long-Term Debt**

Under Ohio law, a debt service fund must be created and used for the payment of tax and receipt anticipation notes. Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

**H. Intergovernmental Receipts**

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

**I. Interfund Transactions**

During the course of normal operations, the School District has numerous transactions between funds. The most significant 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 assets and is displayed in separate components:

1. Restricted net assets – Consists of net assets 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 assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2009, there was no amount restricted by enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

**FUND FINANCIAL STATEMENTS**

Governmental fund equity is classified as fund balance.

The School District records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

**K. Receipts and Disbursements**

**Program Receipts**

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

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

**Disbursements**

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

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 at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

***Deposits***

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

At fiscal year end, the carrying amount of the School District's deposits was \$168,007 and the bank balance was \$276,535. The entire bank balance was covered by federal depository insurance. Non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

***Investments***

Investments are reported at carrying value. As of June 30, 2009, the district had the following investments:

	Carrying Value	Investment Maturities (in years) 0-1
Government & Agency Mutual Funds	\$ 1,984,375	\$ 1,984,375
STAROhio	5,284,583	5,284,583
Total Carrying Value	\$ 7,268,958	\$ 7,268,958

At June 30, 2009, the School District had \$443,422 of the STAROhio balance maintained in a separate account, which is included on the balance sheet as "Cash and Cash Equivalents in Segregated Account."

***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 District.

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

***Credit Risk***

The School District's investments at June 30, 2009, in Government & Agency Mutual Funds and STAROhio are rated AAAM by Standard & Poor's.

***Concentration of Credit Risk***

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. More than 5 percent of the School District's investments are in Mutual Funds and STAROhio. These investments are 27.30 percent and 72.70 percent, respectively, of the School District's total investments for the amounts listed above.

**NOTE 4 - PROPERTY TAXES**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years through 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 4 - PROPERTY TAXES (continued)**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of the prior December 31. For 2008, tangible personal property is assessed at 6.25 percent for property. This percentage was reduced to zero for 2009.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second-Half Collections		2009 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$93,017,620	95%	\$94,769,970	96%
Public Utility	3,931,540	4	4,069,210	4
Tangible Personal Property	<u>831,581</u>	<u>1</u>	<u>0</u>	<u>0</u>
Total Assessed Value	<u>\$97,780,741</u>	<u>100%</u>	<u>\$98,839,180</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.60		\$39.50	

**NOTE 5 - RISK MANAGEMENT**

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School District contracted with O'Connor McLaughlin Insurance Company for property insurance and Harcum-Hyre Insurance for general liability insurance.

Professional liability and vehicles are protected by the Nationwide Insurance Company. Settled claims have not exceeded the commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 5 - RISK MANAGEMENT (continued)**

**B. Workers' Compensation**

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program ("GRP"), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Health Care Benefits**

The School District participates in the Allen County Schools Health Benefit Plan (the "Plan"), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. In addition to the health benefits provided to employees under the Allen County Schools Health Benefit Plan disclosed in Note 12, the School District offers life insurance benefits and a cafeteria 125 flexible plan to all eligible employees as an option under this plan. The Health Benefit, life insurance and cafeteria 125 plans are administered by Allied Benefit Systems, Inc.

**NOTE 6 - PENSION PLANS**

**A. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. The DB Plan portion of the Combined Plan payment is payable to a member on or after age sixty; the DC plan portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 6 - PENSION PLANS (continued)**

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal years ended June 30, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salaries. For fiscal year 2009, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for obligations to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$484,358, \$491,523, and \$490,776, respectively; 84 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$3,780 made by the School District and \$3,759 made by the plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

For fiscal years ended June 30, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll (an actuarially determined rate). A portion of the School District contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent and for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$91,534, \$86,381, and \$99,223, respectively; 42 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 7 - POST EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio ("STRS Ohio"), and to retired non-certified employees and their dependents through the School Employees Retirement System ("SERS"). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

A. **State Teachers Retirement System**

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for post employment health care for fiscal years ended June 30, 2009, 2008 and 2007 were \$37,258, \$37,809 and \$37,752, respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2008 (the latest information available), the balance in the Fund was \$3.7 billion. For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$288,878,000 and STRS Ohio had 126,506 eligible benefit recipients.

B. **School Employees Retirement System**

***Medicare Part B Plan***

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was 0.75 percent. The School District's contributions for the fiscal years ended June 30, 2009, 2008 and 2007 were \$7,552, \$6,224 and \$6,747, respectively, which equaled the required contributions each year.

***Health Care Plan***

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.



**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 7 - POST EMPLOYMENT BENEFITS (continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16 percent. The actuarially required contribution (ARC), as of June 30, 2009 annual valuation, was 13.41 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2009, 2008 and 2007 were \$41,890, \$39,419 and \$32,942, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes 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.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**NOTE 8 - EMPLOYEE BENEFITS - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for certified personnel and up to 240 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit up to a maximum of 46 days for certified employees and 46 days for classified employees.

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

<i>General Obligations</i>	<i>Interest Rate</i>	<i>Principal Outstanding 6/30/2008</i>	<i>Additions</i>	<i>Reductions</i>	<i>Principal Outstanding 6/30/2009</i>	<i>Due Within One Year</i>
2004 Bond Issue						
Current Interest	2.50-3.90%	\$1,515,000	\$ 0	\$ 230,000	\$1,285,000	\$ 240,000
Capital Appreciation	13.77%	189,992	0	0	189,992	0
Accretion of Interest		130,341	45,629	0	175,970	0
2007 Bond Issue						
Current Interest	3.70-4.20%	5,940,000	0	55,000	5,885,000	55,000
Capital Appreciation	33.76-33.86%	29,996	0	0	29,996	0
Accretion of Interest		13,071	15,814	0	28,885	0
<b>Total General Obligations</b>		<b>\$7,818,400</b>	<b>\$ 61,443</b>	<b>\$ 285,000</b>	<b>\$7,594,843</b>	<b>\$ 295,000</b>

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 9 - LONG-TERM OBLIGATIONS (continued)**

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

The current interest serial bonds will continue maturing on each December 1 through fiscal year 2014.

The capital appreciation bonds will mature in fiscal years 2015 through 2017 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$855,000. For fiscal year 2009, \$45,629 was accreted for total bond value of \$365,962.

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

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

The current interest serial bonds will mature in fiscal years 2008-2011 and 2021-2023 on each December 1.

The capital appreciation bonds will mature in fiscal years 2018 through 2020 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$1,075,000. For fiscal year 2009, \$15,814 was accreted for total bond value of \$58,881.

The current interest term bonds maturing on December 1, 2013, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1, 2011 and 2012. Unless otherwise called for redemption, the remaining \$60,000 principal amount of the bonds due December 1, 2013, is to be paid at stated maturity in fiscal year 2014.

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

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

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

**Allen East Local School District**  
Allen County

*Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009*

**NOTE 9 - LONG-TERM OBLIGATIONS (continued)**

Future principal and interest requirements as of June 30, 2009 are as follows:

Fiscal Year Ending June 30,	2004 Bond Issue	2007 Bond Issue	Interest/ Accretion	Total
2010	\$ 240,000	\$ 55,000	\$ 281,906	\$ 576,906
2011	250,000	55,000	271,616	576,616
2012	255,000	55,000	260,627	570,627
2013	265,000	60,000	248,909	573,909
2014	275,000	60,000	230,995	565,995
2015-2019	189,992	217,940	1,819,585	2,227,517
2020-2024	0	1,537,056	1,338,766	2,875,822
2025-2029	0	2,270,000	577,105	2,847,105
2030-2032	0	1,605,000	103,005	1,708,005
Total	<u>\$ 1,474,992</u>	<u>\$ 5,914,996</u>	<u>\$ 5,132,514</u>	<u>\$ 12,522,502</u>

**NOTE 10 - STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve
Set-aside balance as of June 30, 2008	\$ (258,184)	\$ 0
Current Year Required Set-Aside	181,027	181,027
Current Year Offsets	0	(39,999)
Current Year Qualifying Disbursements	(208,269)	(673,746)
Total	<u>\$ (285,426)</u>	<u>\$ (532,718)</u>
Set-aside balance carried forward to FY 2010	<u>\$ (285,426)</u>	
Prior Year Offsets carried forward		<u>(8,499,992)</u>
Offset balance carried forward to FY 2010		<u>\$ (8,499,992)</u>

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. Ohio Revised Code 3315.17 allows for the extra amount to carryover into future years for textbooks. For capital acquisitions, a portion of this extra amount, which represents proceeds from bonds, \$8,499,992, may be used to reduce the set-aside requirements for future years.

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

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

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent and two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Ray Burden, Executive Director, 645 South Main Street, Lima, Ohio 45804.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS (continued)**

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

**NOTE 12 - GROUP PURCHASING POOLS**

Ohio School Board Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan.

Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the Plan.

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

Each school district decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Plan is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Brian Rockhold, Chairman, 204 North Main Street, Lima, Ohio 45801.

**NOTE 13 - OPERATING LEASES**

The School District is obligated under an operating lease agreement with Friends Business Source ("Friends") for copiers. This agreement does not give rise to property rights. The lease is for a term of 14,040,000 prints and began in May 2007. There was \$29,135 in lease payments made to Friends during fiscal year 2009.

**NOTE 14 - CONTINGENCIES**

Grants - The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2009.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 15 – CONTRACTUAL COMMITMENTS**

At June 30, 2009, the School District had the following significant outstanding contractual commitments:

<u>Contractor/Vendor</u>	<u>Description</u>	<u>Contractual Commitment</u>	<u>Balance at 6/30/09</u>
Bluffton Paving	Parking lots	\$ 116,350	\$ 116,350
Cardinal Bus Sales	Summer Bus Maintenance	19,900	19,900
Frost & Company	Service Room	24,880	24,880
Taylor Paving	Parking lots	38,750	38,750
		<u>\$ 199,880</u>	<u>\$ 199,880</u>

**NOTE 16 – ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2009, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

**NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES**

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, *“Land and Other Real Estate Held as Investments by Endowments”*, GASB Statement No. 55, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, and GASB Statement No. 56, *“Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”*.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Allen East Local School District**  
**Allen County**

*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 18 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance “Budget and Actual” - Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$69,082
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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 12, 2009

The Board of Education  
Allen East Local School District  
Harrod, Ohio 45850

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining funds of Allen East Local School District (the "School District") as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 12, 2009, wherein we noted that the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allen East Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Allen East Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Allen East Local School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allen East Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2009-01.

We noted certain matters that we reported to management of Allen East Local School District in a separate letter dated November 12, 2009.

Allen East Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Allen East Local School District's response and, accordingly, we express not opinion on it.

This report is intended solely for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*



**ALLEN EAST LOCAL SCHOOL DISTRICT**  
**Schedule of Findings**  
**Year Ended June 30, 2009**

<b>1. Summary of Auditor's Results</b>	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies identified that are not considered to be material weaknesses?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<b>2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS</b>	

**FINDING 2009-01 (Repeat from FY08)**

**Material Ohio Revised Code Citation**

Ohio Admin. Code Section 117-2-03 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2009, the District prepared its financial statements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying basic financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

**Management's Response:** No corrective action will be implemented. The District plans to continue reporting on the cash basis.

**ALLEN EAST LOCAL SCHOOL DISTRICT**  
**Schedule of Prior Audit Findings**  
**Year Ended June 30, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-01	Financial Statements – Significant deficiency in internal control relating to noncash transactions.	Yes	
2008-02	Financial Statements – Should be prepared in accordance with generally accepted accounting principles.	No	Not Corrected – The District plans to continue reporting on the cash basis.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

November 12, 2009

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

To the Board of Education:

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Allen East Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Hea & Associates, Inc.*



**Mary Taylor, CPA**  
Auditor of State

**ALLEN EAST LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 24, 2009**