

ALLEN EAST LOCAL SCHOOL DISTRICT

ALLEN COUNTY

GENERAL PURPOSE FINANCIAL STATEMENTS

For The Year Ended June 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Allen East Local School District
9520 Harrod Road
Harrod, Ohio 45850

We have reviewed the Independent Auditor's Report of the Allen East Local School District, Allen County, prepared by LaVallee & Company CPAs, for the audit period July 1, 2001 through June 30, 2002. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 23, 2002

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**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

ELECTED OFFICIALS
As Of June 30, 2002

<u>NAME</u>	<u>TITLE</u>	<u>TERM OF OFFICE</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>Board of Education</u>					
Michael Emerick	Board President	1/1/02-12/31/05	(A)	\$20,000	1/1/00 1/1/03
Tim Fetter	Board Vice President	1/1/02-12/31/05	(A)	20,000	1/1/00 1/1/03
Edith Kerchenfaut	Member	1/1/02-12/31/05	(A)	20,000	1/1/00 1/1/03
Marilyn Helser	Member	1/1/00-12/31/03	(A)	20,000	1/1/00 1/1/03
Wendell Schick	Member	1/1/00-12/31/03	(A)	20,000	1/1/00 1/1/03

Legal Counsel

David E. Bowers
204 N. Main Street
Suite 302
Lima, Ohio 45801

Prosecuting
Attorney

(A) Nationwide Mutual Insurance Company

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

ADMINISTRATIVE PERSONNEL
As Of June 30, 2002

<u>TITLE</u>	<u>CONTRACT PERIOD</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
<u>Treasurer</u>				
Rhonda Zimmerly	Organizational Meeting 2000 to Organizational Meeting 2004	(A)	\$20,000	1/1/00 to 12/31/04
<u>Superintendent</u>				
Michael W. Richards	8/1/00 to 7/31/04	(A)	\$20,000	1/1/00 to 12/31/04

(A) Harcum Hyre Insurance Company

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:
General Fund

Special Revenue Fund Types:
Public Student Support Fund
Athletic and Music Fund
Teacher Development Grant Fund
Dwight D. Eisenhower Grant Fund
EMIS - Education Management Information Systems Fund
Title VI - B Education of the Handicapped Act Fund
Title I - Special Education Needs of Disadvantaged Children Fund
Safe School Helpline Fund
Drug Free School Grant Fund
OneNet Connectivity Grant Fund
Ohio Reads Fund
Summer Intervention Fund
Extended Learning Fund
SchoolNet Professional Development Fund

Capital Projects Fund Types:
Permanent Improvement Fund
SchoolNet
Tech Equity Fund
Interactive Video Distance Learning Project Fund

PROPRIETARY FUND TYPES:

Enterprise Fund Types:
Food Services Fund
Uniform School Supplies Fund
Community Recreation Fund

FIDUCIARY FUND TYPES:

Trust Fund Types:
Expendable Trust Funds:
Diesel Scholarship Fund
Special Trust Fund
Gossard Scholarship Fund

Nonexpendable Trust Fund:
Lacey Library Endowment Fund

Agency Fund Type:
Student Activity Fund

LaVallee & Company

Certified Public Accountants
The CPA. Never under estimate The Value.SM

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Alan L. LaVallee, CPA
Neil J. Reichenbach, CPA

October 10, 2002

Allen East Local School District
Allen County
9520 Harrod Road
Harrod, Ohio 45850

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of the Allen East Local School District, Allen County, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Allen East Local School District, Allen County, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types and similar fiduciary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2002 on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions, laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LaVallee & Company, CPAs

ALLEN EAST LOCAL SCHOOL DISTRICT
Allen County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	<u>Governmental Fund Types</u>			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash	\$ 1,681,690	\$ 101,849	\$ 625	\$ 210,501
Receivables:				
Taxes	1,771,030	-	-	135,690
Intergovernmental	41	15,930	-	-
Prepaid Items	23,358	-	-	-
Materials and Supplies Inventory	-	-	-	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-
Total Assets and Other Debits	\$ 3,476,119	\$ 117,779	\$ 625	\$ 346,191
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 104,402	\$ 17,113	\$ -	\$ 11,996
Accrued Salaries and Benefits	520,808	8,373	-	4
Due to Students	-	-	-	-
Undistributed Monies	-	-	-	-
Compensated Absences Payable	5,369	-	-	-
Intergovernmental Payable	88,362	523	-	-
Deferred Revenue-Taxes	1,552,181	-	-	135,690
Total Liabilities	2,271,122	26,009	-	147,690
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings	-	-	-	-
Fund Balance:				
Reserved for Encumbrances	92,180	17,235	-	71,420
Reserved for Prepaid Items	23,358	-	-	-
Reserved for Debt Service - Principal	-	-	625	-
Reserved for Advances	218,849	-	-	-
Reserved for Budget Stabilization	20,502	-	-	-
Unreserved Fund Balance	850,108	74,535	-	127,081
Total Fund Equity and Other Credits	1,204,997	91,770	625	198,501
Total Liabilities, Fund Equity and Other Credits	\$ 3,476,119	\$ 117,779	\$ 625	\$ 346,191

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 10,811	\$ 66,376	\$ -	\$ -	\$ 2,071,852
-	-	-	-	1,906,720
6,039	-	-	-	22,010
-	-	-	-	23,358
6,102	-	-	-	6,102
9,091	-	7,517,194	-	7,526,285
-	-	-	341,081	341,081
<u>\$ 32,043</u>	<u>\$ 66,376</u>	<u>\$ 7,517,194</u>	<u>\$ 341,081</u>	<u>\$ 11,897,408</u>
\$ -	\$ 627	\$ -	\$ -	\$ 134,138
22,443	-	-	-	551,628
-	19,576	-	-	19,576
-	7,663	-	-	7,663
8,884	-	-	304,360	318,613
8,962	-	-	36,721	134,568
3,900	-	-	-	1,691,771
<u>44,189</u>	<u>27,866</u>	<u>-</u>	<u>341,081</u>	<u>2,857,957</u>
-	-	7,517,194	-	7,517,194
(12,146)	-	-	-	(12,146)
-	1,978	-	-	182,813
-	-	-	-	23,358
-	-	-	-	625
-	-	-	-	218,849
-	-	-	-	20,502
-	36,532	-	-	1,088,256
<u>(12,146)</u>	<u>38,510</u>	<u>7,517,194</u>	<u>-</u>	<u>9,039,451</u>
<u>\$ 32,043</u>	<u>\$ 66,376</u>	<u>\$ 7,517,194</u>	<u>\$ 341,081</u>	<u>\$ 11,897,408</u>

ALLEN EAST LOCAL SCHOOL DISTRICT
Allen County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Similar Fiduciary Funds
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes	\$ 1,860,298	\$ -
Tuition and Fees	9,748	1,919
Intergovernmental	4,278,162	173,156
Interest	63,119	-
Extracurricular Activities	-	116,832
Gifts & Donations	3,850	10,702
Rent	1,865	-
Miscellaneous	1,362	3,800
Total Revenues	6,218,404	306,409
Expenditures:		
Current:		
Instruction:		
Regular	3,174,044	22,564
Special	344,706	57,154
Adult/ Continuing	-	4,163
Other	114,648	72,100
Support Services:		
Pupils	239,276	26,451
Instruction	146,363	12,738
Board of Education	30,408	-
Administration	674,931	5,925
Fiscal	146,067	-
Business	63,079	-
Operation and Maintenance	547,762	10,500
Transportation	434,788	-
Central Services	49,824	5,145
Non-Instructional Services	-	1,108
Extracurricular Activities	147,432	98,838
Capital Outlay	-	-
Total Expenditures	6,113,328	316,686
Excess (Deficiency) of Revenues Over (Under) Expenditures	105,076	(10,277)
Other Financing Sources (Uses):		
Operating Transfers In	-	-
Other Financing Sources	601	-
Operating Transfers Out	(13,000)	(1,000)
Total Other Financing Sources (Uses)	(12,399)	(1,000)
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	92,677	(11,277)
Fund Balances at Beginning of Year	1,112,320	103,047
Fund Balances at End of Year	\$ 1,204,997	\$ 91,770

Governmental Fund Types		Fiduciary Fund Type	Totals
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
\$ -	\$ 138,543	\$ -	\$ 1,998,841
-	-	-	11,667
-	139,356	-	4,590,674
-	-	-	63,119
-	-	1,116	117,948
-	-	398	14,950
-	-	3,425	5,290
-	-	-	5,162
-	277,899	4,939	6,807,651
-	73,625	-	3,270,233
-	64,399	-	466,259
-	-	-	4,163
-	(20)	-	186,728
-	4,162	-	269,889
-	-	848	159,949
-	-	-	30,408
-	-	-	680,856
-	2,401	-	148,468
-	-	-	63,079
-	96,793	-	655,055
-	62,966	-	497,754
-	(10,966)	-	44,003
-	-	2,000	3,108
-	-	5,188	251,458
-	23,679	-	23,679
-	317,039	8,036	6,755,089
-	(39,140)	(3,097)	52,562
-	-	2,500	2,500
-	-	-	601
-	-	-	(14,000)
-	-	2,500	(10,899)
-	(39,140)	(597)	41,663
625	237,641	37,004	1,490,637
\$ 625	\$ 198,501	\$ 36,407	\$ 1,532,300

**Allen East Local School District
Allen County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual Comparison
(Non GAAP Budgetary Basis)
All Governmental Fund Types and Similar Fiduciary Funds
For the Fiscal Year Ended June 30, 2002**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 1,727,000	\$ 1,800,717	\$ 73,717
Intergovernmental	4,299,546	4,297,602	(1,944)
Interest	127,400	63,078	(64,322)
Tuition and Fees	12,000	9,748	(2,252)
Rent	1,500	1,865	365
Extracurricular Activities	-	-	-
Gifts and Donations	1,000	3,850	2,850
Miscellaneous	2,000	1,362	(638)
Total Revenues	6,170,446	6,178,222	7,776
Expenditures:			
Current:			
Instruction:			
Regular	3,577,981	3,164,423	413,558
Special	377,264	331,454	45,810
Adult/ Continuing	-	-	-
Other	135,784	134,803	981
Support Services:			
Pupils	283,649	249,193	34,456
Instruction	229,726	158,851	70,875
Board of Education	45,388	32,369	13,019
Administration	738,013	681,808	56,205
Fiscal	165,062	145,032	20,030
Business	83,375	62,947	20,428
Operation and Maintenance	1,054,393	593,508	460,885
Transportation	590,258	469,516	120,742
Central Services	138,198	129,351	8,847
Non-Instructional Services	-	-	-
Extracurricular Activities	184,500	146,941	37,559
Capital Outlay	150,000	-	150,000
Debt Service:			
Principal	-	-	-
Total Expenditures	7,753,591	6,300,196	1,453,395
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,583,145)	(121,974)	1,461,171
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	1,000	601	(399)
Refund of Prior Year Expenditures	3,000	4,372	1,372
Operating Transfers Out	(25,000)	(13,000)	12,000
Refund of Prior Year Receipts	(1,000)	-	1,000
Advances Out	(10,000)	-	10,000
Total Other Financing Sources (Uses)	(32,000)	(8,027)	23,973
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,615,145)	(130,001)	1,485,144
Fund Balances at Beginning of Year	1,497,744	1,497,744	-
Prior Year Encumbrances Appropriated	117,401	117,401	-
Fund Balances (Deficit) at End of Year	\$ -	\$ 1,485,144	\$ 1,485,144

Governmental Fund Types

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
170,700	157,226	(13,474)	-	-	-
-	-	-	-	-	-
1,700	1,919	219	-	-	-
-	-	-	-	-	-
133,372	116,832	(16,540)	-	-	-
6,700	10,703	4,003	-	-	-
4,335	3,800	(535)	-	-	-
<u>316,807</u>	<u>290,480</u>	<u>(26,327)</u>	<u>-</u>	<u>-</u>	<u>-</u>
30,366	22,269	8,097	-	-	-
57,819	56,774	1,045	-	-	-
10,000	5,222	4,778	-	-	-
72,131	72,131	-	-	-	-
65,831	31,136	34,695	-	-	-
14,577	12,743	1,834	-	-	-
-	-	-	-	-	-
9,270	7,234	2,036	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,500	10,500	-	-	-	-
-	-	-	-	-	-
12,977	6,065	6,912	-	-	-
1,108	1,108	-	-	-	-
156,677	122,276	34,401	-	-	-
-	-	-	-	-	-
-	-	-	625	-	625
<u>441,256</u>	<u>347,458</u>	<u>93,798</u>	<u>625</u>	<u>-</u>	<u>625</u>
<u>(124,449)</u>	<u>(56,978)</u>	<u>67,471</u>	<u>(625)</u>	<u>-</u>	<u>625</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	30	30	-	-	-
(1,000)	(1,000)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(1,000)</u>	<u>(970)</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>
(125,449)	(57,948)	67,501	(625)	-	625
97,159	97,159	-	625	625	-
28,290	28,290	-	-	-	-
<u>\$ -</u>	<u>\$ 67,501</u>	<u>\$ 67,501</u>	<u>\$ -</u>	<u>\$ 625</u>	<u>\$ 625</u>

**Allen East Local School District
Allen County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual Comparison
(Non-GAAP Budgetary Basis)
All Governmental Fund Types and Similar Fiduciary Funds
For the Fiscal Year Ended June 30, 2002 (Continued)**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 135,200	\$ 138,543	\$ 3,343
Intergovernmental	133,000	122,005	(10,995)
Interest	-	-	-
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>268,200</u>	<u>260,548</u>	<u>(7,652)</u>
Expenditures:			
Current:			
Instruction:			
Regular	74,286	74,286	-
Special	71,780	64,999	6,781
Adult/ Continuing	-	-	-
Other	-	-	-
Support Services:			
Pupils	8,220	4,158	4,062
Instruction	-	-	-
Board of Education	-	-	-
Administration	-	-	-
Fiscal	3,200	2,401	799
Business	-	-	-
Operation and Maintenance	199,956	135,530	64,426
Transportation	110,966	62,966	48,000
Central Services	-	-	-
Non-Instructional Services	-	-	-
Extracurricular Activities	-	-	-
Capital Outlay	70,989	23,679	47,310
Debt Service:			
Principal	-	-	-
Total Expenditures	<u>539,397</u>	<u>368,019</u>	<u>171,378</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(271,197)</u>	<u>(107,471)</u>	<u>163,726</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-
Refund of Prior Year Expenditures	-	20	20
Operating Transfers Out	-	-	-
Refund of Prior Year Receipts	-	-	-
Advances Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>20</u>	<u>20</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(271,197)</u>	<u>(107,451)</u>	<u>163,746</u>
Fund Balances at Beginning of Year	184,952	184,952	-
Prior Year Encumbrances Appropriated	86,245	86,245	-
Fund Balances (Deficit) at End of Year	<u>\$ -</u>	<u>\$ 163,746</u>	<u>\$ 163,746</u>

Fiduciary Fund Types			Totals		
Expendable Trust Funds			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,862,200	\$ 1,939,260	\$ 77,060
-	-	-	4,603,246	4,576,833	(26,413)
1,025	-	(1,025)	128,425	63,078	(65,347)
-	-	-	13,700	11,667	(2,033)
3,925	3,425	(500)	5,425	5,290	(135)
1,300	1,116	(184)	134,672	117,948	(16,724)
500	398	(102)	8,200	14,951	6,751
-	-	-	6,335	5,162	(1,173)
<u>6,750</u>	<u>4,939</u>	<u>(1,811)</u>	<u>6,762,203</u>	<u>6,734,189</u>	<u>(28,014)</u>
-	-	-	3,682,633	3,260,978	421,655
-	-	-	506,863	453,227	53,636
-	-	-	10,000	5,222	4,778
-	-	-	207,915	206,934	981
-	-	-	357,700	284,487	73,213
4,609	848	3,761	248,912	172,442	76,470
-	-	-	45,388	32,369	13,019
-	-	-	747,283	689,042	58,241
-	-	-	168,262	147,433	20,829
-	-	-	83,375	62,947	20,428
-	-	-	1,264,849	739,538	525,311
-	-	-	701,224	532,482	168,742
-	-	-	151,175	135,416	15,759
27,261	2,000	25,261	28,369	3,108	25,261
13,384	7,166	6,218	354,561	276,383	78,178
-	-	-	220,989	23,679	197,310
-	-	-	625	-	625
<u>45,254</u>	<u>10,014</u>	<u>35,240</u>	<u>8,780,123</u>	<u>7,025,687</u>	<u>1,754,436</u>
<u>(38,504)</u>	<u>(5,075)</u>	<u>33,429</u>	<u>(2,017,920)</u>	<u>(291,498)</u>	<u>1,726,422</u>
3,000	2,500	(500)	3,000	2,500	(500)
-	-	-	1,000	601	(399)
-	-	-	3,000	4,422	1,422
-	-	-	(26,000)	(14,000)	12,000
-	-	-	(1,000)	-	1,000
(1,500)	-	1,500	(11,500)	-	11,500
<u>1,500</u>	<u>2,500</u>	<u>1,000</u>	<u>(31,500)</u>	<u>(6,477)</u>	<u>25,023</u>
(37,004)	(2,575)	34,429	(2,049,420)	(297,975)	1,751,445
33,708	33,708	-	1,814,188	1,814,188	-
3,296	3,296	-	235,232	235,232	-
<u>\$ -</u>	<u>\$ 34,429</u>	<u>\$ 34,429</u>	<u>\$ -</u>	<u>\$ 1,751,445</u>	<u>\$ 1,751,445</u>

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ALLEN EAST LOCAL SCHOOL DISTRICT
Allen County
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types and Similar Fiduciary Funds
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Operating Revenues:			
Sales	\$ 291,315	\$ -	\$ 291,315
Interest	-	84	84
Total Operating Revenue	<u>291,315</u>	<u>84</u>	<u>291,399</u>
Operating Expenses:			
Salaries	105,126	-	105,126
Fringe Benefits	96,759	-	96,759
Purchased Services	2,461	-	2,461
Materials and Supplies	39,971	-	39,971
Depreciation	521	-	521
Cost of Sales	160,037	-	160,037
Total Operating Expenses	<u>404,875</u>	<u>-</u>	<u>404,875</u>
Operating Income (Loss)	<u>(113,560)</u>	<u>84</u>	<u>(113,476)</u>
Non-Operating Revenues (Expenses):			
Interest	280	-	280
Federal Donated Commodities	26,475	-	26,475
Federal and State Subsidies	49,344	-	49,344
Total Non-Operating Revenues and (Expenses)	<u>76,099</u>	<u>-</u>	<u>76,099</u>
Income (Loss) Before Operating Transfers	(37,461)	84	(37,377)
Operating Transfers-In	<u>11,500</u>	<u>-</u>	<u>11,500</u>
Net Income (Loss)	(25,961)	84	(25,877)
Retained Earnings/Fund Balance at Beginning of Year	<u>13,815</u>	<u>2,019</u>	<u>15,834</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ (12,146)</u>	<u>\$ 2,103</u>	<u>\$ (10,043)</u>

The accompanying notes are an integral part of the financial statement.

**Allen East Local School District
Allen County
Combined Statement of Revenues, Expenses and
Changes in Fund Balance - Budget and Actual Comparison
(Non-GAAP Budgetary Basis)
All Proprietary Fund Types and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002**

	Proprietary Fund Type					
	Enterprise Funds			Internal Service		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Sales	\$ 294,725	\$ 291,315	\$ (3,410)	\$ -	\$ -	\$ -
Charges for Services	-	-	-	1,000	-	(1,000)
Interest	350	279	(71)	-	-	-
Federal and State Subsidies	50,000	48,435	(1,565)	-	-	-
Contributions and Donations	-	-	-	-	-	-
Other Revenues	100	-	(100)	-	-	-
Total Revenues	345,175	340,029	(5,146)	1,000	-	(1,000)
Expenses:						
Salaries	113,235	112,533	702	-	-	-
Fringe Benefits	88,180	87,486	694	-	-	-
Purchased Services	5,419	2,461	2,958	-	-	-
Materials and Supplies	185,116	173,513	11,603	1,000	-	1,000
Total Expenses	391,950	375,993	15,957	1,000	-	1,000
Excess (Deficiency) of Revenues Over (Under) Expenses	(46,775)	(35,964)	10,811	-	-	-
Operating Transfers-In	11,500	11,500	-	-	-	-
Fund Balance at Beginning of Year	32,263	32,263	-	-	-	-
Unexpended Prior Year Encumbrances	3,012	3,012	-	-	-	-
Fund Balance at End of Year	\$ -	\$ 10,811	\$ 10,811	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Type		
Non-Expendable Trust		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
150	84	(66)
-	-	-
100	-	(100)
-	-	-
250	84	(166)
-	-	-
-	-	-
-	-	-
2,269	-	2,269
2,269	-	2,269
(2,019)	84	2,103
-	-	-
2,019	2,019	-
-	-	-
\$ -	\$ 2,103	\$ 2,103

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 294,725	\$ 291,315	\$ (3,410)
1,000	-	(1,000)
500	363	(137)
50,000	48,435	(1,565)
100	-	(100)
100	-	(100)
346,425	340,113	(6,312)
113,235	112,533	702
88,180	87,486	694
5,419	2,461	2,958
188,385	173,513	14,872
395,219	375,993	19,226
(48,794)	(35,880)	12,914
11,500	11,500	-
34,282	34,282	-
3,012	3,012	-
\$ -	\$ 12,914	\$ 12,914

ALLEN EAST LOCAL SCHOOL DISTRICT
Allen County
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Fiduciary Fund Types
For the Fiscal Year Ended June 30, 2002

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Only</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 291,315	\$ 84	\$ 291,399
Cash Payments to Suppliers for Goods and Services	(175,974)	-	(175,974)
Cash Payments to Employees for Services	(112,533)	-	(112,533)
Cash Payments for Employee Benefits	(87,486)	-	(87,486)
Net Cash Provided by (Used for) Operating Activities	<u>(84,678)</u>	<u>84</u>	<u>(84,594)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	48,434	-	48,434
Operating Transfers-In	11,500	-	11,500
Interest	280	-	280
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>60,214</u>	<u>-</u>	<u>60,214</u>
Cash Flows from Capital and Related Financing Activities:			
Net Increase (Decrease) in Cash and Cash Equivalents	(24,464)	84	(24,380)
Cash and Cash Equivalents at Beginning of Year	35,275	2,019	37,294
Cash and Cash Equivalents at End of Year	<u>\$ 10,811</u>	<u>\$ 2,103</u>	<u>\$ 12,914</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (113,560)	\$ 84	\$ (113,476)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Donated Commodities Used During Year	26,475	-	26,475
Changes in Assets and Liabilities:			
(Increase)/Decrease in Fixed Assets	521	-	521
(Increase)/Decrease in Commodities Inventory	(1,934)	-	(1,934)
Increase/(Decrease) in Accrued Salaries and Benefits	1,515	-	1,515
Increase/(Decrease) in Compensated Absences Payable	310	-	310
Increase/(Decrease) in Accounts Payable	(673)	-	(673)
Increase/(Decrease) in Interfund Payable	714	-	714
Increase/(Decrease) in Deferred Revenue	1,954	-	1,954
Total Adjustments	<u>28,882</u>	<u>-</u>	<u>28,882</u>
Net Cash Provided by Operating Activities	<u>\$ (84,678)</u>	<u>\$ 84</u>	<u>\$ (84,594)</u>

The accompanying notes are an integral part of the financial statements.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Allen East Local 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 the 469th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 41 non-certificated employees and 74 certificated full-time teaching personnel who provide services to 1,116 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.

The School District is associated with three organizations which are defined as jointly governed organizations, and an insurance purchasing pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Allen East Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution 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 object level within each function. 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 expenditures 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 Standard County Budget Commission for rate determination.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

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 revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures 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 revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

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 no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures 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 reappropriated.

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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. During fiscal year 2002, investments were limited to STAROhio and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 are reported as investments.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand, five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Dwight D. Eisenhower Grant
Education Management Information Systems
Title I
Title VI
Title VI-B
Drug Free School Grant

Capital Projects Funds

School Net
Technology Equity

Reimbursable Grants

General Funds

Driver Education
Vocational Allowance

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 65 percent of the School District's governmental fund revenue during the fiscal year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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, prepaid items, debt service and budget stabilization.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

O. Restricted Assets - Budget Stabilization

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Budget Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Budget Basis) and Actual - All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP basis - fund balance	\$ 1,204,997	\$ 91,770	\$ 625	\$ 198,501	\$36,407
Adjustment for GAAP basis:					
Accrued revenues/prepaid expenses	(1,794,429)	(15,930)	-	(135,690)	-
Accrued expenditures/deferred revenue	2,271,122	26,009	-	147,690	500
Encumbrances outstanding (budget basis)	<u>(196,546)</u>	<u>(34,348)</u>	<u>-</u>	<u>(46,755)</u>	<u>(2,478)</u>
Budget basis - fund balance	<u>\$ 1,485,144</u>	<u>\$ 67,501</u>	<u>\$ 625</u>	<u>\$ 163,746</u>	<u>\$34,429</u>

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP Basis - Fund Balance	\$(12,146)	\$2,103
Adjustments for:		
Fixed assets	(9,091)	-
Inventory	(6,102)	-
Accrued revenues/prepaid expenses	(6,039)	-
Accrued expenditures/deferred revenue	44,189	-
Encumbrances outstanding	<u>-</u>	<u>-</u>
Budget Basis - Fund Balance	<u>\$ 10,811</u>	<u>\$2,103</u>

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$65,855 and the bank balance was \$225,805. Of the bank balance, \$100,000 was covered by federal depository insurance and \$125,805 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by the Allen East Local School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Allen East Local School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Allen East Local School District's name.

At year end, the District's only investment was in STAR Ohio, and had a value of \$2,005,997. STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form.

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 2,071,852	\$ -
STAR Ohio	<u>(2,005,997)</u>	<u>2,005,997</u>
GASB Statement 3	<u>\$ 65,855</u>	<u>\$2,005,997</u>

NOTE 5 - PROPERTY TAXES

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 December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, is recognized as revenue.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 5 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second-Half Collections		2002 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$65,703,330	87%	\$67,579,460	88%
Public Utility	5,815,780	8	5,038,500	7
Tangible Personal Property	<u>4,158,789</u>	<u>5</u>	<u>4,163,500</u>	<u>5</u>
Total Assessed Value	<u>\$75,677,899</u>	<u>100%</u>	<u>\$76,781,460</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.05		\$34.25	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

NOTE 7 - FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 2002, is as follows:

	Balance <u>June, 30, 2002</u>
Furniture and Equipment	\$ 43,876
Less: Accumulated Depreciation to June 30, 2002	<u>(34,785)</u>
Net Fixed Assets - Proprietary Funds	<u>\$ 9,091</u>

A summary of the general fixed assets follows:

	(Restated) Balance at <u>6/30/2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/2002</u>
Land and Improvements	\$ 702,357	\$ -	\$ -	\$ 702,357
Building	4,106,594	23,679	-	4,130,273
Furniture and Equipment	1,004,997	209,399	-	1,214,396
Vehicles	985,062	52,000	(38,674)	998,388
Books - Educational	<u>471,780</u>	<u>-</u>	<u>-</u>	<u>471,780</u>
Total	<u>\$7,270,790</u>	<u>\$285,078</u>	<u>\$ (38,674)</u>	<u>\$7,517,194</u>

Allen East Local School District changed its capitalization policy from \$500 to \$2,500, effective July 1, 2001. The change in the capitalization threshold results in a restatement of the fixed assets in the general fixed asset account group. As of June 30, 2001, the amount was changed from \$7,666,765 to \$7,270,790.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 8 - RISK MANAGEMENT

1. 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 2002, 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.

2. Workers' Compensation

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). 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 insures 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Allen East Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salary. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System (Continued)

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$305,288, \$286,898, and \$170,839, respectively; 84.32 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$47,856 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The Allen East Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 4.2 percent of annual covered salary was the portion use to fund pension obligations. For fiscal years 2001 and 2000, 4.2 percent and 5.5 percent were used to fund pension obligations, respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$30,709, \$30,056, and \$37,710, respectively; 37.43 percent has been contributed for fiscal year 2002, and 100 percent for the fiscal years 2001 and 2000. \$19,213, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2002, all 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 GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE 10 - POST EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability, and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 11 - 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.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 11 - EMPLOYEE BENEFITS (Continued)

Compensated Absences (Continued)

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 210 days for certified personnel and up to 190 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52.5 days for certified employees and 47.5 days for classified employees.

NOTE 12 - LONG-TERM DEBT

A. Long-Term Obligations

Long-term obligations of the School District at June 30, 2002, consisted of the following:

	Principal Outstanding <u>6/30/2001</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/2002</u>
Intergovernmental Payable	\$ 23,773	\$36,721	\$(23,773)	\$ 36,721
Compensated Absences	<u>279,184</u>	<u>25,176</u>	<u>-</u>	<u>304,360</u>
Total General Long-Term Obligations	<u>\$302,957</u>	<u>\$61,897</u>	<u>\$(23,773)</u>	<u>\$341,081</u>

General obligation notes will be paid from the debt service fund. Compensated absences and intergovernmental payable will be paid from the fund which the person is paid.

NOTE 13 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook <u>Reserve</u>	Capital Maintenance <u>Reserve</u>	Budget Stabilization <u>Reserve</u>	<u>Total</u>
Balance 7/1/2001	\$ -	\$ -	\$ 20,502	\$ 20,502
Carry Over	(44,978)	-	-	(44,978)
Required Set-Aside	133,805	133,805	-	267,610
Qualifying Expenditures	<u>(201,292)</u>	<u>(406,389)</u>	<u>(20,502)</u>	<u>(628,183)</u>
Total	<u>\$(112,465)</u>	<u>\$(272,584)</u>	<u>\$ -</u>	<u>\$(385,049)</u>

The School District had qualifying disbursements during the year that reduced the set-aside amounts below zero. For capital acquisitions, the extra amount may not be used to reduce the set-aside requirements of future years. However, revised code 3315.17 allows for the extra amount to carryover into future years for textbooks.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and community recreation. The table below summarizes the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Community Recreation</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 249,090	\$ 42,225	\$ -	\$ 291,315
Operating Expenses	(362,244)	(42,631)	-	(404,875)
Operating Income (Loss)	(113,154)	(406)	-	(113,560)
Interest	280	-	-	280
Donated Commodities	26,475	-	-	26,475
Operating Grants	49,344	-	-	49,344
Operating Transfers	11,500	-	-	11,500
Net Income (Loss)	(25,555)	(406)	-	(25,961)
Net Working Capital	(20,381)	7,893	135	(12,353)
Total Assets	24,015	7,893	135	32,043
Total Equity	(20,174)	7,893	135	(12,146)

NOTE 15 - 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 upon a per pupil charge dependent upon 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, the 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 of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Apollo Joint Vocational School - The Apollo Joint Vocational School 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, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

NOTE 16 - GROUP PURCHASING POOL

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

NOTE 17 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2002.

B. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 17 - CONTINGENCIES (Continued)

B. State School Funding Decision (Continued)

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

C. Litigation

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

NOTE 18 - ACCOUNTABILITY

At June 30, 2002, the following funds had a deficit fund balance:

<u>Fund Name</u>	<u>Deficit Fund Balance Amount</u>
Special Revenue Funds	
Ohio Reads	\$ (2)
Title I - Chapter I	(5,269)
Summer Intervention	(7)
Miscellaneous Federal Grants	(1,791)
Enterprise Funds	
Lunch room	(20,174)

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, and not when accruals occur.

**ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
June 30, 2002

NOTE 19 - OPERATING LEASES

The District is obligated under an operating lease agreement with Perry Corporation for copiers. This agreement does not give rise to property rights and is not reflected in the school's account group. The future lease payments are as follows:

Year Ending <u>June 30,</u>	<u>Amounts</u>
2003	\$33,005
2004	<u>33,005</u>
Total	<u>\$66,010</u>

LaVallee & Company

Certified Public Accountants
The CPA. Never under estimate The Value.SM

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Alan L. LaVallee, CPA
Neil J. Reichenbach, CPA

October 10, 2002

Allen East Local School District
Allen County
9520 Harrod Road
Harrod, Ohio 45850

REPORT ON COMPLIANCE AND INTERNAL CONTROL
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the general purpose financial statements of the Allen East Local School District, Allen County, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 10, 2002. 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.

Compliance

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 grants, 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 no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allen East Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

LaVallee & Company, CPAs

ALLEN EAST LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SUMMARY OF PRIOR AUDIT FINDINGS
June 30, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Explanation</u>
2001-1	Ohio Revised Code Section 5705.36 Certificates of estimated resources	Yes	The District has done a better job in ensuring that amended certificates of estimated resources are sent to and approved by the county auditor. We found no instance of noncompliance with the Ohio Revised Code Section 5705.36. No further action is necessary.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JANUARY 9, 2003**