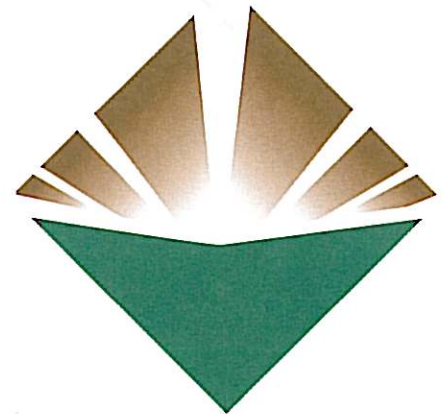


**Allen East Local School District**  
**Allen County**  
*Basic Financial Statements – Cash Basis*

For the Fiscal Year Ended June 30, 2008



**Rea & Associates, Inc.**

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Allen East Local School District, Allen County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 4, 2008

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**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

October 31, 2008

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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Allen East Local School District, Allen County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Allen East Local School District, Allen County, Ohio, as of June 30, 2008, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008 on our consideration of the Allen East Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Rea & Associates, Inc.*

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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The discussion and analysis of the Allen East Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2008 are as follows:

- General Receipts accounted for \$7,893,001 in receipts, or 76% of all receipts.
- Total program disbursements were \$12,543,687.
- In total, net assets decreased \$2,271,776, mostly due to capital outlay disbursements.

***Using this Annual Report***

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. For fiscal year 2008, the General Fund and OSFC Local/State Share Fund are the School District's major funds.

***Basis of Accounting***

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

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

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 6. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General Fund and the OSFC Local/State Share Fund.

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

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

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

The School District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as a private purpose trust. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 14 and 15. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

**The School District as a Whole**

This year's financial statements were prepared on the cash basis utilizing the GASB 34 format. Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007. Due to the reclassification of funds during fiscal year 2008, the 2007 balances have been restated for comparison purposes.

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

	Governmental Activities	
	2008	2007 (Restated)
<b>ASSETS</b>		
Equity in Pooled Cash & Cash Equivalents	\$ 7,311,550	\$ 9,583,326
<b>Total Assets</b>	\$ 7,311,550	\$ 9,588,326
<b>NET ASSETS</b>		
Restricted:		
Capital Outlay	\$ 3,921,764	\$ 6,710,967
Debt Service	208,231	312,601
Permanent Fund		
Expendable	520	397
Non-Expendable	2,000	2,000
Other Purposes	330,658	275,470
Unrestricted	2,848,377	2,281,891
<b>Total Net Assets</b>	\$ 7,311,550	\$ 9,583,326

Net assets of the governmental activities decreased \$2,271,776, which represents a 24% decrease from fiscal year 2007. The decrease is the result of the OSFC building project's capital outlay being less than the funding received. During fiscal year 2008, funding for capital outlays was \$2,740,135 under the actual disbursements.

A portion of the School District's net assets, \$4,463,173, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$2,848,377 may be used to meet the School District's ongoing obligations.



**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

Table 2 shows the changes in net assets for fiscal year 2008 as compared to fiscal year 2007. Due to the reclassification of funds during fiscal year 2008, the 2007 balances have been restated for comparison purposes.

**(Table 2)  
Governmental Activities**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007 (Restated)</b>
<b>Receipts</b>		
<i>Program Receipts</i>		
Charges for Services	\$ 874,335	\$ 669,994
Operating Grants	977,242	728,542
Capital Grants	527,333	4,655,468
 <i>General Receipts</i>		
Property Taxes	2,767,723	2,835,343
Grants and Entitlements	4,880,892	4,714,040
Refunding Bonds	0	6,691,364
Other	244,386	194,079
 <b>Total Receipts</b>	<b>10,271,911</b>	<b>20,488,830</b>
 <i>Program Disbursements</i>		
Instruction	4,578,525	4,491,676
Support Services	3,231,149	2,838,495
Non-Instructional	53,859	49,372
Food Services	421,690	366,572
Extracurricular	289,877	299,057
Capital Outlay	3,266,439	13,918,708
Repayment of Debt	702,148	7,131,278
 <b>Total Disbursements</b>	<b>12,543,687</b>	<b>29,095,158</b>
 <b>Decrease in Net Assets</b>	<b>\$ 2,271,776</b>	<b>\$ 8,606,328</b>

**Governmental Activities**

Several receipt sources fund the School District's governmental activities with the school foundation program being the largest contributor. School foundation provided \$4.7 million in fiscal year 2008. Property tax levies generated \$2.8 million in fiscal year 2008. General receipts from grants and entitlements are also a large receipt generator. With the combination of taxes and intergovernmental receipts funding 61% of disbursements in governmental activities, the School District monitors both of these receipt sources very closely for fluctuations.

The majority of program disbursements for governmental activities are for instruction, which accounts for 36.5% of all governmental disbursements. Other programs which support the instruction process account for 25.7% of governmental disbursements. Capital outlay accounted for 26% of total governmental disbursements due to the OSFC building project the School District has undertaken. The remaining 11.8% of the School District's disbursements are related to the primary functions of delivering education and providing facilities.

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

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

fiscal years 2008 and 2007. Due to the reclassification of funds during fiscal year 2008, the 2007 balances have been restated for comparison purposes.

**(Table 3)  
Governmental Activities**

	<u>2008</u>		<u>2007 (Restated)</u>	
	<u>Total Cost of Service</u>	<u>Net (Receipts) Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net (Receipts) Cost of Service</u>
Instruction	\$ 4,578,525	\$ 3,693,068	\$ 4,491,676	\$ 3,975,442
Support Services:				
Pupil and Instructional Staff	620,565	407,932	645,742	454,158
Board of Education, Business, Administration and Fiscal	964,559	960,674	965,588	959,207
Operation and Maintenance of Plant	862,719	810,956	624,032	583,796
Pupil Transportation	587,277	566,259	412,559	400,968
Central	196,029	175,483	190,574	158,822
Operation of Non-Instructional	53,859	2,028	49,372	790
Food Services	421,690	(17,584)	366,572	(4,847)
Extracurricular Activities	289,877	174,483	299,057	164,003
Capital Outlay	3,266,439	2,773,478	13,918,708	9,287,242
Repayment of Debt	702,148	618,000	7,131,278	7,061,573
<b>Total</b>	<b><u>\$12,543,687</u></b>	<b><u>\$10,164,777</u></b>	<b><u>\$29,095,158</u></b>	<b><u>\$23,041,154</u></b>

Instruction and student support services comprise 41% of governmental program expenses in fiscal year 2008. Board of Education, Business, Administration and Fiscal charges were 8% in 2008. Fiscal expenses include payments to the County Auditor(s) for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of facilities accounted for 12% in 2008.

The dependence upon foundation revenues for governmental activities is apparent.

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has two major governmental funds: the General Fund and OSFC Local/State Share Fund. Receipts of the General Fund comprise \$7,731,701 (76.1%) of the total \$10,154,847 governmental funds' receipts and \$7,277,227 (58%) of the total \$12,543,687 governmental funds' disbursements. Receipts of the OSFC Local/State Share generated \$418,777 (4.1%) in receipts and utilized \$2,300,197 (18.3%) of the total governmental disbursements.

**General Fund** – The General Fund cash balance at June 30, 2008 was \$2,848,377 which represents 39% of total governmental funds' cash balances for fiscal year 2008. General fund receipts were more than disbursements by \$566,486 mostly due to increases in intergovernmental receipts as well as gifts and donations receipts.

**OSFC Local/State Share Fund** – The OSFC Local/State Share Fund cash balance at June 30, 2008 was \$3,224,435 which represents 44.1% of total governmental funds' cash balances for fiscal year 2008. OSFC Local/State Share Fund receipts were less than disbursements by \$1,902,903.

**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the School District amended its general fund budget to reflect changing circumstances. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis receipts were \$7,731,701 compared to the final budget estimates of \$7,662,986. Of this \$68,715 increase, most was attributable to a large increase in intergovernmental receipts and tuition and fees receipts.

General fund actual disbursements were \$7,345,207, which is under final budgeted disbursements of \$9,929,984 for fiscal year 2008. Actual instruction, operation and maintenance of plant, and administration disbursements were significantly under budgeted expectations. This was because, with the move into the new building, disbursements were budgeted higher than usual to ensure for any possible increases in costs for maintaining the new building. In addition, one full-time teacher passed away earlier in the year and was replaced with a full-time substitute while another teacher retired mid-year and was not replaced. Normal upkeep of the buildings (floor refinishing, lockers asphalt, etc) was lax due to the anticipation of the buildings being destroyed at the end of this school year.

***Debt Administration***

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

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

For further information regarding the District's debt, refer to Note 11 of the basic financial statements.

***Current Issues***

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

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

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

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



**Allen East Local School District  
Allen County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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

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

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

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

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

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

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

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

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

**Allen East Local School District  
Allen County**

*Statement of Net Assets - Cash Basis  
June 30, 2008*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 7,311,550
<i>Total Assets</i>	<u>\$ 7,311,550</u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	\$ 208,231
Capital Outlay	3,921,764
Permanent Fund	
Expendable	520
Non-Expendable	2,000
Other Purposes	330,658
Unrestricted	<u>2,848,377</u>
<i>Total Net Assets</i>	<u>\$ 7,311,550</u>

See accompanying notes to the basic financial statements.

Allen East Local School District  
Allen County

Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2008

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 3,720,206	\$ 25,223	\$ 35,845	\$ 0	\$ (3,659,138)
Special	556,784	0	466,529	0	(90,255)
Adult/Continuing	2,430	0	4,152	0	1,722
Other	299,105	353,708	0	0	54,603
Support Services:					
Pupils	440,874	21,238	169,779	0	(249,857)
Instructional Staff	179,691	0	21,616	0	(158,075)
Board of Education	29,853	0	0	0	(29,853)
Administration	666,686	0	0	0	(666,686)
Fiscal	223,305	1,448	0	2,437	(219,420)
Business	44,715	0	0	0	(44,715)
Operation and Maintenance of Plant	862,719	0	43,136	8,627	(810,956)
Pupil Transportation	587,277	0	13,256	7,762	(566,259)
Central	196,029	0	5,000	15,546	(175,483)
Operation of Non-Instructional Services	53,859	51,831	0	0	(2,028)
Operation of Food Services	421,690	307,337	131,937	0	17,584
Extracurricular Activities	289,877	113,550	1,844	0	(174,483)
Capital Outlay	3,266,439	0	0	492,961	(2,773,478)
Repayment of Debt					
Principal	385,000	0	84,148	0	(300,852)
Interest	317,148	0	0	0	(317,148)
<b>Total Governmental Activities</b>	<b>\$ 12,543,687</b>	<b>\$ 874,335</b>	<b>\$ 977,242</b>	<b>\$ 527,333</b>	<b>(10,164,777)</b>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					2,071,191
Debt Service					517,235
Capital Projects					139,300
Building Maintenance					39,997
Grants and Entitlements not Restricted to Specific Programs					4,880,892
Interest					87,952
Proceeds on Sale of Assets					115,473
Miscellaneous					40,961
Total General Receipts					<u>7,893,001</u>
Change in Net Assets					(2,271,776)
Net Assets - Beginning of Year (Restated - See Note 4)					<u>9,583,326</u>
Net Assets - End of Year					<u>\$ 7,311,550</u>

See accompanying notes to the basic financial statements.  
10

**Allen East Local School District  
Allen County**

*Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2008*

	<u>General Fund</u>	<u>OSFC Local/State Share Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,848,377	\$ 2,786,597	\$ 1,238,738	\$ 6,873,712
Cash and Cash Equivalents in Segregated Account	<u>0</u>	<u>437,838</u>	<u>0</u>	<u>437,838</u>
<i>Total Assets</i>	<u><u>\$ 2,848,377</u></u>	<u><u>\$ 3,224,435</u></u>	<u><u>\$ 1,238,738</u></u>	<u><u>\$ 7,311,550</u></u>
<b>Fund Balances</b>				
Reserved for Encumbrances	\$ 67,980	\$ 457,707	\$ 265,032	\$ 790,719
Unreserved, Undesignated, Reported in:				
General Fund	2,780,397	0	0	2,780,397
Special Revenue Funds	0	0	285,719	285,719
Debt Service Funds	0	0	208,231	208,231
Capital Projects Funds	0	2,766,728	477,735	3,244,463
Permanent Funds	<u>0</u>	<u>0</u>	<u>2,021</u>	<u>2,021</u>
<i>Total Fund Balances</i>	<u><u>\$ 2,848,377</u></u>	<u><u>\$ 3,224,435</u></u>	<u><u>\$ 1,238,738</u></u>	<u><u>\$ 7,311,550</u></u>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008*

	General Fund	OSFC Local/State Share Fund	All Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,071,192	\$ 0	\$ 696,533	\$ 2,767,725
Intergovernmental	5,099,576	213,214	701,548	6,014,338
Interest	87,952	182,730	96,269	366,951
Tuition and Fees	378,932	0	53,288	432,220
Rent	4,556	0	0	4,556
Extracurricular Activities	0	0	127,109	127,109
Gifts and Donations	83,470	0	6,902	90,372
Customer Sales and Services	0	0	307,337	307,337
Miscellaneous	6,023	1,350	3,523	10,896
<i>Total Receipts</i>	<u>7,731,701</u>	<u>397,294</u>	<u>1,992,509</u>	<u>10,121,504</u>
<b>Disbursements</b>				
<b>Current:</b>				
Instruction:				
Regular	3,692,262	0	27,944	3,720,206
Special	386,439	0	170,345	556,784
Adult/Continuing	0	0	2,430	2,430
Other	299,105	0	0	299,105
Support Services:				
Pupils	262,962	0	177,912	440,874
Instructional Staff	157,132	0	22,559	179,691
Board of Education	29,853	0	0	29,853
Administration	666,686	0	0	666,686
Fiscal	212,062	0	11,243	223,305
Business	44,715	0	0	44,715
Operation and Maintenance of Plant	754,084	0	108,635	862,719
Pupil Transportation	451,585	0	135,692	587,277
Central	138,993	0	57,036	196,029
Operation of Non-Instructional Services	0	0	53,859	53,859
Operation of Food Services	0	0	421,690	421,690
Extracurricular Activities	181,349	0	108,528	289,877
Capital Outlay	0	2,300,197	966,242	3,266,439
Debt Service:				
Principal	0	0	385,000	385,000
Interest	0	0	317,148	317,148
<i>Total Disbursements</i>	<u>7,277,227</u>	<u>2,300,197</u>	<u>2,966,263</u>	<u>12,543,687</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>454,474</u>	<u>(1,902,903)</u>	<u>(973,754)</u>	<u>(2,422,183)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	80,473	0	35,000	115,473
Refund of Prior Year Disbursements	31,539	0	3,395	34,934
<i>Total Other Financing Sources (Uses)</i>	<u>112,012</u>	<u>0</u>	<u>38,395</u>	<u>150,407</u>
<i>Net Change in Fund Balances</i>	566,486	(1,902,903)	(935,359)	(2,271,776)
<i>Fund Balance at Beginning of Year (Restated - See Note 4)</i>	<u>2,281,891</u>	<u>5,127,338</u>	<u>2,174,097</u>	<u>9,583,326</u>
<i>Fund Balance at End of Year</i>	<u>\$ 2,848,377</u>	<u>\$ 3,224,435</u>	<u>\$ 1,238,738</u>	<u>\$ 7,311,550</u>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Cash Receipts, Disbursements and Changes In Fund Balance  
Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2008*

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,242,770	\$ 2,242,770	\$ 2,071,192	\$ (171,578)
Intergovernmental	4,925,562	4,942,210	5,099,576	157,366
Interest	141,813	141,813	87,952	(53,861)
Tuition and Fees	244,575	244,575	378,932	134,357
Rent	11,614	10,414	4,556	(5,858)
Gifts and Donations	78,000	78,000	83,470	5,470
Miscellaneous	3,204	3,204	6,023	2,819
<b>Total Receipts</b>	<b>7,647,538</b>	<b>7,662,986</b>	<b>7,731,701</b>	<b>68,715</b>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,141,700	4,141,700	3,695,675	446,025
Special	519,342	519,342	386,439	132,903
Other	350,500	350,500	299,105	51,395
<b>Support Services:</b>				
Pupils	284,525	284,525	263,630	20,895
Instructional Staff	192,378	192,378	157,524	34,854
Board of Education	66,525	66,525	30,028	36,497
Administration	753,157	753,157	666,686	86,471
Fiscal	223,951	223,951	212,062	11,889
Business	57,540	57,540	44,715	12,825
Operation and Maintenance of Plant	2,454,527	2,454,527	790,718	1,663,809
Pupil Transportation	528,832	528,832	478,283	50,549
Central	146,283	146,283	138,993	7,290
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	32,224	32,224	23,649	8,575
Occupation Oriented Activities	1,000	1,000	0	1,000
Sport Oriented Activities	141,650	141,650	131,200	10,450
School and Public Service Co-Curricular Activities	35,850	35,850	26,500	9,350
<b>Total Disbursements</b>	<b>9,929,984</b>	<b>9,929,984</b>	<b>7,345,207</b>	<b>2,584,777</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(2,282,446)</b>	<b>(2,266,998)</b>	<b>386,494</b>	<b>2,653,492</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	47,598	47,598	80,473	32,875
Refund of Prior Year Expenditures	20,063	20,063	31,539	11,476
Transfers In	100	100	0	(100)
Advances In	100	100	0	(100)
Transfers Out	(10,000)	(10,000)	0	10,000
Other Financing Uses	(25,000)	(25,000)	0	25,000
<b>Total Other Financing Sources (Uses)</b>	<b>32,861</b>	<b>32,861</b>	<b>112,012</b>	<b>79,151</b>
<b>Net Change in Fund Balances</b>	<b>(2,249,585)</b>	<b>(2,234,137)</b>	<b>498,506</b>	<b>2,732,643</b>
<b>Fund Balance at Beginning of Year (Restated - See Note 4)</b>	<b>2,249,575</b>	<b>2,249,575</b>	<b>2,249,575</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>32,316</b>	<b>32,316</b>	<b>32,316</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$ 32,306</b>	<b>\$ 47,754</b>	<b>\$ 2,780,397</b>	<b>\$ 2,732,643</b>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2008*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 79,915	\$ 13,315
<i>Total Assets</i>	<u>\$ 79,915</u>	<u>\$ 13,315</u>
<b>Net Assets</b>		
Held in Trust for:		
Scholarships	\$ 79,915	\$ 0
Student Activities	0	12,136
Staff	0	1,179
<i>Total Net Assets</i>	<u>\$ 79,915</u>	<u>\$ 13,315</u>

See accompanying notes to the basic financial statements.

**Allen East Local School District  
Allen County**

*Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2008*

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	<u>Private Purpose Trust Fund</u>
<b>Additions</b>	
Gifts and Contributions	\$ 965
Interest	<u>3,642</u>
<b>Total Additions</b>	4,607
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>3,000</u>
<b>Total Deductions</b>	<u>3,000</u>
<i>Change in Net Assets</i>	1,607
<i>Net Assets - Beginning of Year (Restated - See Note 4)</i>	<u>78,308</u>
<i>Net Assets - End of Year</i>	<u><u>\$ 79,915</u></u>

See accompanying notes to the basic financial statements.



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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

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

The School District consists of three small communities and surrounding rural areas within Allen County. The School District is staffed by 41 non-certified employees and 74 certified full-time teaching personnel who provide services to 1,010 students and other community members.

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

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

The School District is associated with two organizations which are defined as jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Career Center, Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan and the Allen County Schools Health Benefits Plan. These organizations are presented in Notes 13 and 14 to the basic financial statements.

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

**A. Basis of Accounting**

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

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

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

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

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

FUND FINANCIAL STATEMENTS

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of governmental fund financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

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

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

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

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

General Fund

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

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

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

Fiduciary Fund Types

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

**C. Budgetary Process**

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

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

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

**Tax Budget**

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

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

**Estimated Resources**

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

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

**Appropriations**

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

**Encumbrances**

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

**Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

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

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

For purposes of financial reporting, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

**E. Property, Plant and Equipment**

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

**F. Compensated Absences**

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

**G. Long-Term Debt**

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

**H. Intergovernmental Receipts**

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

**I. Interfund Transactions**

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

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

**J. Equity Classifications**

**GOVERNMENT-WIDE STATEMENTS**

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

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2008, there was no amount restricted by enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance.

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

**K. Receipts and Disbursements**

Program Receipts

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

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

Disbursements

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

**NOTE 3 - IMPLEMENTATION OF NEW ACCOUNTING POLICIES**

For the fiscal year ended June 30, 2008, the School District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 50, "Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27."

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.



**Allen East Local School District**  
Allen County

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 3 – IMPLEMENTATION OF NEW ACCOUNTING POLICIES (continued)**

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", to conform with requirements of GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

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

**NOTE 4 – RESTATEMENT OF FUND BALANCE/NET ASSETS**

For fiscal year 2008, the extracurricular rental funds that were previously classified as Private Purpose Trust fund types have been reclassified to the General Fund, since the monies are available for use by the School District and disbursements are not legally restricted. In addition, the staffs' fiduciary funds have been reclassified from Private Purpose Trust fund types to Agency Funds since the School District may not use these monies and there is no trust agreement with the staff.

The beginning fund balance of the General Fund has been restated as follows:

<u>Cash Basis Fund Balance</u>	<u>Government-Wide Statements</u>	<u>Fund Statements</u>
Reported Fund Balances at 06/30/07	\$ 9,579,236	\$ 2,277,801
Add: Extracurricular Rental Funds reclassified to governmental	4,090	4,090
Restated Fund Balance at 07/01/07	<u>\$ 9,583,326</u>	<u>\$ 2,281,891</u>

The beginning net assets of the Private Purpose Trust Funds have been restated as follows:

<u>Cash Basis Fund Balance</u>	<u>Fund Statements</u>
Reported Net Assets at 06/30/07	\$ 84,827
Less: Funds reclassified to General Fund	(4,090)
Less: Funds reclassified to Agency	(2,429)
Restated Fund Balance at 07/01/07	<u>\$ 78,308</u>

The beginning fund balance of the General Fund's Budget Basis statement have been restated as follows:

<u>Cash Basis Fund Balance</u>	<u>Fund Statements</u>
Reported Net Assets at 06/30/07	\$ 2,246,361
Add: Funds reclassified to GF	4,090
Less: Reclassified Funds' prior year encumbrances	(876)
Restated Fund Balance at 07/01/07	<u>\$ 2,249,575</u>

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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



**Allen East Local School District**  
Allen County

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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

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

***Deposits***

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

At fiscal year end, the carrying amount of the School District's deposits was \$121,053 and the bank balance was \$237,122. Of the bank balance, \$200,000 was covered by federal depository insurance and \$37,122 was uninsured but collateralized. Non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

***Investments***

Investments are reported at carrying value. As of June 30, 2008, the district had the following investments:

	<u>Carrying Value</u>	Investment Maturities (in years)
Government & Agency Mutual Funds	3,435,198	<u>0-1</u> 3,435,198
STAROhio	<u>3,848,522</u>	<u>3,848,522</u>
Total Carrying Value	<u>\$ 7,283,720</u>	<u>\$ 7,283,720</u>

At June 30, 2008, the School District had \$437,838 of the STAROhio balance maintained in a separate account which is included on the balance sheet as "Cash and Cash Equivalents in Segregated Account."

***Interest Rate Risk***

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

***Credit Risk***

The School District's investments at June 30, 2008, in Government & Agency Mutual Funds and STAROhio are rated AAAM by Standard & Poor's.

***Concentration of Credit Risk***

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5 percent of the School District's investments are in Mutual Funds and STAROhio. These investments are 47.16% and 52.84%, respectively, of the School District's total investments for the amounts listed above.

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 6 - PROPERTY TAXES**

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

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of the prior December 31. For 2007, tangible personal property is assessed at 12.5% for property. This percentage will be reduced to 6.25% for 2008 and zero for 2009.

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

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

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second-Half Collections		2008 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$90,713,790	92%	\$93,017,620	95%
Public Utility	4,585,100	5	3,931,540	4
Tangible Personal Property	<u>3,140,705</u>	<u>3</u>	<u>831,581</u>	<u>1</u>
Total Assessed Value	<u>\$98,439,595</u>	<u>100%</u>	<u>\$97,780,741</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.66		\$39.60	

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 7 - RISK MANAGEMENT**

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, 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.

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program ("GRP"), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Health Care Benefits

The School District participates in the Allen County Schools Health Benefit Plan (the "Plan"), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. In addition to the health benefits provided to employees under the Allen County Schools Health Benefit Plan disclosed in Note 14, the School District offers life insurance benefits and a cafeteria 125 flexible plan to all eligible employees as an option under this plan. The Health Benefit, life insurance and cafeteria 125 plans are administered by Allied Benefit Systems, Inc.

**NOTE 8 - PENSION PLANS**

A. State Teachers Retirement System

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

**Allen East Local School District**  
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Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 8 - PENSION PLANS (continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$370,822, \$362,134, and \$360,852, respectively; 87 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,589 made by the School District and \$3,418 made by the plan members.

**B. School Employees Retirement System**

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

Plan members are required to contribute 10 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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 8 - PENSION PLANS (continued)**

The School District's required contribution for obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$53,773, \$53,214, and \$45,481 respectively. The School District has paid all contributions required through June 30, 2008.

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, 2008, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 - POST EMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for post employment health care for fiscal years ended June 30, 2008, 2007 and 2006 were \$26,487, \$25,867 and \$25,775, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was 0.68 percent. The School District's contributions for the fiscal year ended June 30, 2008 were \$2,612, which equaled the required contributions for the year.

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



**Allen East Local School District**  
Allen County

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 9 – POST EMPLOYMENT BENEFITS (continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$19,176, \$19,117 and \$17,330, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007 (the latest information available), the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

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

**NOTE 10 - EMPLOYEE BENEFITS - COMPENSATED ABSENCES**

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

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

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

<i>General Obligations</i>	<i>Interest Rate</i>	<i>Principal Outstanding 6/30/2007</i>	<i>Additions</i>	<i>Reductions</i>	<i>Principal Outstanding 6/30/2008</i>	<i>Due Within One Year</i>
<b>2004 Bond Issue</b>						
Current Interest	2.50-3.90%	\$1,745,000	\$ 0	\$ 230,000	\$1,515,000	\$ 230,000
Capital Appreciation	13.77%	189,992	0	0	189,992	0
Accretion of Interest		90,401	39,940	0	130,341	0
<b>2007 Bond Issue</b>						
Current Interest	3.70-4.20%	6,095,000	0	155,000	5,940,000	55,000
Capital Appreciation	33.76-33.86%	29,996	0	0	29,996	0
Accretion of Interest		1,504	11,567	0	13,071	0
<b>Total General Obligations</b>		<b>\$8,151,893</b>	<b>\$ 51,507</b>	<b>\$ 385,000</b>	<b>\$7,818,400</b>	<b>\$ 285,000</b>

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 11 - LONG-TERM OBLIGATIONS (continued)**

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

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

The capital appreciation bonds will mature in fiscal years 2015 through 2017 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$855,000. For fiscal year 2008, \$39,940 was accreted for total bond value of \$320,333.

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

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

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

The capital appreciation bonds will mature in fiscal years 2018 through 2020 and are not subject to redemption prior to maturity. The maturity amount of the bonds is \$1,075,000. For fiscal year 2008, \$11,567 was accreted for total bond value of \$43,067.

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

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

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

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

**Allen East Local School District**  
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Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 11 - LONG-TERM OBLIGATIONS (continued)**

Future principal and interest requirements as of June 30, 2008 are as follows:

Fiscal Year Ending June 30.	2004 Bond Issue	2007 Bond Issue	Interest/ Accretion	Total
2009	\$ 230,000	\$ 55,000	\$ 291,396	\$ 576,396
2010	240,000	55,000	281,906	576,906
2011	250,000	55,000	271,616	576,616
2012	255,000	55,000	260,627	570,627
2013	265,000	60,000	248,909	573,909
2014-2018	464,992	268,236	2,148,569	2,881,797
2019-2023	0	1,141,760	1,742,364	2,884,124
2024-2028	0	2,180,000	668,330	2,848,330
2029-2032	0	2,100,000	180,563	2,280,563
Total	<u>\$ 1,704,992</u>	<u>\$ 5,969,996</u>	<u>\$ 6,094,280</u>	<u>\$ 13,769,268</u>

**NOTE 12 - STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve
Set-aside balance as of June 30, 2007	\$ (240,770)	\$ 0
Current Year Required Set-Aside	155,008	155,008
Current Year Offsets	0	(39,997)
Current Year Qualifying Disbursements	(172,422)	(479,133)
Total	<u>\$(258,184)</u>	<u>\$ (364,122)</u>
Set-aside balance carried forward to FY 2009	<u>\$ (258,184)</u>	
Prior Year Offsets carried forward		(8,499,992)
Offset balance carried forward to FY 2009		<u>\$ (8,499,992)</u>

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

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

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

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



**Allen East Local School District**  
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Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (continued)**

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

**NOTE 14 - GROUP PURCHASING POOLS**

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan - The School District participates in a group rating plan ("GRP") for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the 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.

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

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

**NOTE 15 - OPERATING LEASES**

The School District is obligated under an operating lease agreement with Friends Business Source for copiers. This agreement does not give rise to property rights. The lease is for a term of 14,040,000 prints and began in May, 2007. There were \$36,536 in lease payments made to Friends during fiscal year 2008.

**NOTE 16 - CONTINGENCIES**

Grants - The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

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

Notes To The Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 17 – CONTRACTUAL COMMITMENTS**

At June 30, 2008 the School District had the following significant outstanding contractual commitments:

Contractor/Vendor	Description	Contractual Commitment	Balance at 6/30/08
Cardinal Bus Sales	Summer Bus Maintenance	\$ 19,200	\$ 19,200
Continental Office	Furnishings	640,399	59,238
Data Eclipse, Inc.	Technology – OSFC Project	236,256	42,389
Fanning Howey	OSFC Project	119,677	38,169
Four Seasons Environmental	Commissioning and Maintenance	111,863	27,001
O’Connor McLaughlin	Property Insurance	23,336	23,336
RD Jones Excavating, Inc.	OSFC Project and Phase II Site Package	2,376,369	369,160
RD Jones Excavating, Inc.	Demolition	419,500	22,328
RD Jones Excavating, Inc.	Phase V – Baseball Fields	17,500	17,500
RD Jones Excavating, Inc.	Phase VI – Softball Fields	17,500	17,500
RD Jones Excavating, Inc.	Ball Field Installation	43,766	43,766
Sidney Electric	Technology – OSFC Project	301,680	21,759
		<u>\$ 4,327,046</u>	<u>\$ 701,346</u>

**NOTE 18 – ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2008, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

October 31, 2008

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Allen East Local School District (School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 31, 2008, wherein we noted that the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting – see Finding 2008-01.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allen East Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of findings as item 2008-02.

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

*Hea & Associates, Inc.*

**ALLEN EAST LOCAL SCHOOL DISTRICT**

Schedule of Findings  
Year Ended June 30, 2008

1. Summary of Auditor's Results

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any significant deficiencies identified that are not considered to be material weaknesses?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

**FINDING 2008-01**

**Material Weakness**

A significant deficiency in internal control over financial reporting was noted during audit testing relating to payments made directly by the State of Ohio to the District's Construction Manager for their OFSC Building Project. The deficiency resulted in intergovernmental receipts and capital outlay disbursements being materially overstated by \$620,460 in the OSFC Local/State Share Fund on the financial statements. The material amounts noted above have been subsequently booked and represented on the audited financial statements.

We recommend the district improve internal controls in recording details in the District's financial statements relating to noncash transactions.

**Management's Response:** Management will monitor documentation more closely to ensure that all noncash transactions are recorded accurately.

**FINDING 2008-02 (Repeat from FY07)**

**Material Ohio Revised Code Citation**

Ohio Admin. Code Section 117-2-03 requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2008, the District prepared its financial statements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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

**ALLEN EAST LOCAL SCHOOL DISTRICT**  
**Schedule of Prior Audit Findings**  
**Year Ended June 30, 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2007-01	Financial Statements – Should be prepared in accordance with generally accepted accounting principles.	No	Not Corrected – The District plans to continue reporting on the cash basis.





**Mary Taylor, CPA**  
Auditor of State

**ALLEN EAST LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 16, 2008**