



Dave Yost • Auditor of State



ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allen East Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen East Local School District, Allen County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 7, 2014

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**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The discussion and analysis of the Allen East Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

- In total, net position decreased \$362,718, primarily due to an overall decrease in receipts, especially operating grants.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2013, the general fund and the permanent improvement fund are the School District's most significant funds.

***Basis of Accounting***

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

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

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

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

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

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities 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 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement fund.

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

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to 2012.

**(Table 1)**  
**Net Position – Cash Basis**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,793,176	\$6,155,894
Total Assets	<u>5,793,176</u>	<u>6,155,894</u>
<b>Net Position:</b>		
<b>Restricted for:</b>		
Capital Outlay	944,662	1,157,672
Debt Service	551,525	626,953

(Continued)

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**(Table 1)  
Net Position – Cash Basis  
(Continued)**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Net Position:</b>		
<b>Restricted for: (Continued)</b>		
<b>Permanent Fund:</b>		
Expendable	25	24
Non-expendable	2,000	2,000
Other Purposes	389,359	471,249
Unrestricted	3,905,605	3,897,996
<b>Total Net Position</b>	<b>\$5,793,176</b>	<b>\$6,155,894</b>

The net position of the governmental activities decreased \$362,718, which represents a 5.89 percent decrease from fiscal year 2012. The decrease is the result of overall decreases of receipts, primarily operating grants, during fiscal year 2013.

A portion of the School District's net position, \$1,887,571 or 32.58 percent, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$3,905,605 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2013 as compared to fiscal year 2012.

**(Table 2)  
Changes in Net Position – Cash Basis**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$1,123,139	\$1,128,417
Operating Grants, Contributions and Interest	652,606	911,065
Capital Grants, Contributions and Interest		989
<b>Total Program Receipts</b>	<b>1,775,745</b>	<b>2,040,471</b>
<b>General Receipts:</b>		
Property Taxes	2,932,339	2,984,022
Grants and Entitlements not Restricted to Specific Programs	5,374,451	5,382,086
Contributions and Donations	5,318	
Proceeds from Sale of Capital Assets	3,518	
Interest	7,161	4,166
Miscellaneous	30,316	40,716
<b>Total General Receipts</b>	<b>8,353,103</b>	<b>8,410,990</b>
<b>Total Receipts</b>	<b>10,128,848</b>	<b>10,451,461</b>
<b>Program Disbursements:</b>		
<b>Instruction:</b>		
Regular	4,130,583	4,094,443
Special	749,323	1,047,109
Other	470,412	457,484

(Continued)

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**(Table 2)  
Changes in Net Position – Cash Basis  
(Continued)**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Program Disbursements: (Continued)</b>		
<b>Support Services:</b>		
Pupils	558,370	353,847
Instructional Staff	245,941	200,633
Board of Education	29,465	33,904
Administration	669,760	579,759
Fiscal	306,875	301,093
Business	38,287	40,851
Operation and maintenance of Plant	958,575	913,749
Pupil Transportation	591,795	571,718
Central	177,194	237,139
<b>Operation of Non-Instructional Services:</b>		
Food Service Operations	461,630	439,167
Extracurricular Activities	328,342	309,874
Capital Outlay	201,105	1,797,744
<b>Debt Service:</b>		
Principal Retirement	325,000	310,000
Interest and Fiscal Charges	248,909	260,627
Total Program Disbursements	<u>10,491,566</u>	<u>11,949,141</u>
Change in Net Position	(362,718)	(1,497,680)
Net Position Beginning of Year	6,155,894	7,653,574
Net Position End of Year	<u>\$5,793,176</u>	<u>\$6,155,894</u>

The decrease in capital outlay is a result of the completion of the School District's OSFC project in the prior year. Special Instruction decreased in fiscal year 2013 due to a decrease in the number of students requiring services.

**Governmental Activities**

Several receipt sources fund the School District's governmental activities with the charges for sales and services being the largest contributor. Charges for sales and services provided \$1.1 million in fiscal year 2013. Property tax levies generated \$2.9 million in fiscal year 2013. With the combination of taxes and school foundation funding 83 percent of disbursements in governmental activities, the School District monitors both of these receipt sources very closely for fluctuations.

The majority of program disbursements for governmental activities are for instruction, which accounts for 51 percent of all governmental disbursements. The availability of Federal Stimulus funds during fiscal year 2012 accounts for the fluctuation in instruction disbursements. Other programs which support the instruction process account for 34 percent of total governmental disbursements. The remaining 15 percent 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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**(Table 3)  
Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2013	2012	2013	2012
<b>Program Disbursements:</b>				
<b>Instruction:</b>				
Regular	\$4,130,583	\$ 4,094,443	\$3,334,000	\$3,323,130
Special	749,323	1,047,109	388,836	665,725
Other	470,412	457,484	470,412	455,487
<b>Support Services:</b>				
Pupils	558,370	353,847	536,103	301,536
Instructional Staff	245,941	200,633	228,757	200,633
Board of Education	29,465	33,904	29,465	33,904
Administration	669,760	579,759	669,760	579,759
Fiscal	306,875	301,093	306,875	301,093
Business	38,287	40,851	38,287	40,851
Operation and Maintenance of Plant	958,575	913,749	921,369	750,182
Pupil Transportation	591,795	571,718	591,795	477,468
Central	177,194	237,139	177,194	237,139
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	461,630	439,167	47,802	(26,446)
Extracurricular Activities	328,342	309,874	200,152	200,827
Capital Outlay	201,105	1,797,744	201,105	1,796,755
<b>Debt Service:</b>				
Principal Retirement	325,000	310,000	325,000	310,000
Interest and Fiscal Charges	248,909	260,627	248,909	260,627
<b>Total</b>	<b>\$10,491,566</b>	<b>\$11,949,141</b>	<b>\$8,715,821</b>	<b>\$9,908,670</b>

The significant decrease in capital outlay is due to the completion of the OSFC project during fiscal year 2012. The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 17 percent of all governmental expenses. The community is the largest area of support for the School District students.

***The School District's Funds***

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

The general fund had total cash receipts (including other financing sources) of \$8,373,573. The cash disbursements of the general fund totaled \$8,365,964. The general fund's fund balance increased \$7,609 in 2013. The increase in fund balance can be attributed to slight overall increases in receipts.

The permanent improvement fund had total cash receipts (including other financing sources) of \$175,855 and total cash disbursements of \$388,865, for a decrease in fund balance of \$213,010 in 2013. The decrease in fund balance is primarily due to an increase in capital outlay disbursements as well as lack of transfers in compared to fiscal year 2012.

***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.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

During the course of fiscal year 2013, the School District did not amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control site budgets but provide flexibility for site management. Actual receipts (including other financing sources) of \$8,314,744 were \$44,223 lower than the final budget. Of this variance, most was attributable to an overestimation in tuition and fees.

Actual disbursements (including other financing uses) of \$8,359,656 were \$3,849,164 lower than the final budget. Actual instruction, operation and maintenance of plant, and pupil transportation disbursements were significantly under budgeted expectations. This was due to disbursements being fully appropriated and budgeted higher than usual to ensure for any possible increases in costs for maintaining the new building, as well as an overestimation of expenditures.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2013 and 2012.

**(Table 4)  
Outstanding Debt, at June 30**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
2004 Refunding Bonds – Serial, Term and Capital Appreciation Bonds	\$ 898,412	\$1,085,683
2007 Refunding Bonds – Serial, Term and Capital Appreciation Bonds	5,865,736	5,870,479
Total	<u>\$6,764,148</u>	<u>\$6,956,162</u>

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

***Current Issues***

The Allen East Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. A prior emergency levy was passed by the residents of the district in November 1994, with the promise that the revenue generated by a levy would provide sufficient funding for five years. In March 2012, the Board of Education submitted a new emergency levy, which was approved by the residents.

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

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

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

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

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

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

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

In the course of routine surveillance, Fitch Ratings has affirmed the AA- rating on Allen East Local School District's outstanding unlimited general obligation bonds series 2004 and 2007 which were last rated on August 11, 2009 and on January 25, 2013, respectively. The Rating Outlook is Stable. The AA- rating reflects the School District's strong, conservative financial management as evidenced by ample cash reserves, reliance on state aid and sparing use of expiring levies, which has insulated its reserves from the cyclical effects of periodic voter approvals that typify other Ohio school districts. The key rating driver is management's ability to continue current practices and maintain ample fiscal cushion given the economic downturn and fixed revenue streams.

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

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

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ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,793,176
Total Assets	<u>5,793,176</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Outlay	944,662
Debt Service	551,525
<b>Permanent Fund:</b>	
Expendable	25
Non-expendable	2,000
Other Purposes	389,359
Unrestricted	3,905,605
Total Net Position	<u>\$5,793,176</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, 2013**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$4,130,583	\$718,479	\$78,104	(\$3,334,000)
Special	749,323	10,767	349,720	(388,836)
Other	470,412			(470,412)
<b>Support Services:</b>				
Pupils	558,370	13,185	9,082	(536,103)
Instructional Staff	245,941		17,184	(228,757)
Board of Education	29,465			(29,465)
Administration	669,760			(669,760)
Fiscal	306,875			(306,875)
Business	38,287			(38,287)
Operation and Maintenance of Plant	958,575		37,206	(921,369)
Pupil Transportation	591,795			(591,795)
Central	177,194			(177,194)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	461,630	253,371	160,457	(47,802)
Extracurricular Activities	328,342	127,337	853	(200,152)
Capital Outlay	201,105			(201,105)
<b>Debt Service:</b>				
Principal Retirement	325,000			(325,000)
Interest and Fiscal Charges	248,909			(248,909)
<b>Totals</b>	<u>\$10,491,566</u>	<u>\$1,123,139</u>	<u>\$652,606</u>	<u>(8,715,821)</u>
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				2,320,793
Debt Service				425,457
Capital Outlay				144,103
Capital Maintenance				41,986
<b>Income Taxes Levied for:</b>				
Grants and Entitlements not Restricted to Specific Programs				5,374,451
Contributions and Donations				5,318
Proceeds from Sale of Capital Assets				3,518
Interest				7,161
Miscellaneous				30,316
Total General Receipts				<u>8,353,103</u>
Change in Net Position				(362,718)
Net Position Beginning of Year				<u>6,155,894</u>
Net Position End of Year				<u>\$5,793,176</u>

See accompanying notes to the basic financial statements.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,905,605	\$896,969	\$990,602	\$5,793,176
Total Assets	<u>3,905,605</u>	<u>896,969</u>	<u>990,602</u>	<u>5,793,176</u>
<b>Fund Balances:</b>				
Non-spendable			2,000	2,000
Restricted		896,969	988,602	1,885,571
Assigned	3,905,605			3,905,605
Total Fund Balances	<u>\$3,905,605</u>	<u>\$896,969</u>	<u>\$990,602</u>	<u>\$5,793,176</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, 2013**

	<b>General</b>	<b>Permanent Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>				
Property and Other Local Taxes	\$2,320,793	\$144,103	\$467,443	\$2,932,339
Intergovernmental	5,258,541	31,552	734,250	6,024,343
Investment Income	7,161		110	7,271
Tuition and Fees	730,625			730,625
Rent	4,085			4,085
Extracurricular Activities	11,663		123,396	135,059
Gifts and Donations	7,065		853	7,918
Charges for Services			253,372	253,372
Miscellaneous	30,322		2	30,324
Total Receipts	<u>8,370,255</u>	<u>175,655</u>	<u>1,579,426</u>	<u>10,125,336</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,059,362		71,221	4,130,583
Special	594,532		154,791	749,323
Other	470,412			470,412
<b>Support Services:</b>				
Pupils	345,262		213,108	558,370
Instructional Staff	228,637		17,304	245,941
Board of Education	29,465			29,465
Administration	667,950		1,810	669,760
Fiscal	293,101	3,267	10,507	306,875
Business	38,287			38,287
Operation and Maintenance of Plant	824,520	25,680	108,375	958,575
Pupil Transportation	512,348	79,447		591,795
Central	97,828	79,366		177,194
Extracurricular Activities	204,260		124,082	328,342
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations			461,630	461,630
Capital Outlay		201,105		201,105
<b>Debt Service:</b>				
Principal Retirement			325,000	325,000
Interest and Fiscal Charges			248,909	248,909
Total Disbursements	<u>8,365,964</u>	<u>388,865</u>	<u>1,736,737</u>	<u>10,491,566</u>
Excess of Receipts Over (Under) Disbursements	<u>4,291</u>	<u>(213,210)</u>	<u>(157,311)</u>	<u>(366,230)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	3,318	200		3,518
Other Financing Uses			(6)	(6)
Total Other Financing Sources (Uses)	<u>3,318</u>	<u>200</u>	<u>(6)</u>	<u>3,512</u>
Net Change in Fund Balances	7,609	(213,010)	(157,317)	(362,718)
Fund Balances Beginning of Year	<u>3,897,996</u>	<u>1,109,979</u>	<u>1,147,919</u>	<u>6,155,894</u>
Fund Balances End of Year	<u>\$3,905,605</u>	<u>\$896,969</u>	<u>\$990,602</u>	<u>\$5,793,176</u>

See accompanying notes to the basic financial statements.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$2,321,512	\$2,321,512	\$2,320,793	(\$719)
Intergovernmental	5,258,315	5,258,315	5,258,541	226
Investment Income	6,500	6,500	7,161	661
Tuition and Fees	728,540	728,540	696,517	(32,023)
Rent	1,000	1,000	143	(857)
Gifts and Donations	5,000	5,000	1,747	(3,253)
Miscellaneous	15,000	15,000	5,562	(9,438)
Total Receipts	<u>8,335,867</u>	<u>8,335,867</u>	<u>8,290,464</u>	<u>(45,403)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,700,200	4,700,200	4,027,454	672,746
Special	1,309,000	1,277,000	594,639	682,361
Other	524,000	524,000	470,412	53,588
<b>Support Services:</b>				
Pupils	376,500	390,500	327,971	62,529
Instructional Staff	223,200	312,900	229,043	83,857
Board of Education	80,300	80,300	38,710	41,590
Administration	777,125	795,125	668,344	126,781
Fiscal	353,000	353,000	293,101	59,899
Business	59,500	59,500	38,957	20,543
Operation and Maintenance of Plant	1,858,328	1,858,328	827,486	1,030,842
Pupil Transportation	830,667	830,667	543,600	287,067
Central	206,500	116,800	97,828	18,972
Extracurricular Activities	316,500	316,500	202,111	114,389
Total Disbursements	<u>11,614,820</u>	<u>11,614,820</u>	<u>8,359,656</u>	<u>3,255,164</u>
Excess of Receipts Over (Under) Disbursements	<u>(3,278,953)</u>	<u>(3,278,953)</u>	<u>(69,192)</u>	<u>3,209,761</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	3,000	3,000	3,318	318
Refund of Prior Year Expenditures	20,000	20,000	20,962	962
Other Financing Uses	(594,000)	(594,000)		594,000
Transfers In	100	100		(100)
Total Other Financing Sources (Uses)	<u>(570,900)</u>	<u>(570,900)</u>	<u>24,280</u>	<u>595,180</u>
Net Change in Fund Balance	(3,849,853)	(3,849,853)	(44,912)	3,804,941
Fund Balance Beginning of Year	3,815,984	3,815,984	3,815,984	
Prior Year Encumbrances Appropriated	<u>33,869</u>	<u>33,869</u>	<u>33,869</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$3,804,941</u>	<u>\$3,804,941</u>

See accompanying notes to the basic financial statements.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$74,915	\$23,533
Total Assets	74,915	23,533
 <b>Net Position:</b>		
Unrestricted		23,122
Held in Trust for Scholarships	74,915	
Held for Staff		411
Total Net Position	\$74,915	\$23,533

*See accompanying notes to the basic financial statements.*

ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

STATEMENT OF CHANGE IN FIDUCIARY FUND NET POSITION - CASH BASIS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Scholarship</u>
<b>Additions:</b>	
Gifts and Contributions	\$1,804
Interest	40
Total Additions	<u>1,844</u>
<b>Deductions:</b>	
Scholarships	<u>2,000</u>
Total Deductions	<u>2,000</u>
Change in Net Position	(156)
Net Position Beginning of Year	<u>75,071</u>
Net Position End of Year	<u><u>\$74,915</u></u>

*See accompanying notes to the basic financial statements.*

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**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

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

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

**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, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**1. Government-Wide Financial Statements**

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

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

**2. 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:

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

The funds of the financial reporting entity are described below:

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Governmental Funds/Governmental Activities**

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

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

**Permanent Improvement Fund** - The permanent improvement capital projects fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

The other governmental funds of the School District account for grants and other resources in which the School District is bound to observe constraints imposed upon the use of the resources.

**4. Fiduciary Fund Types**

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

**C. Budgetary Process**

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

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

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

**1. 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.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**2. 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 receipts 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.

**3. Appropriations**

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

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

**4. 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 yearend are reported as restricted or assigned fund balance for subsequent year disbursements of governmental funds.

**5. 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.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. ACCOUNTING SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

During fiscal year 2013, the School District invested in mutual funds and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 was \$7,161, which includes \$2,333 assigned from other School District funds.

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

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

**E. Property, Plant and Equipment**

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

**F. Compensated Absences**

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

**G. Long-Term Debt**

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

**H. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**

**1. Government-Wide Statements**

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

- a. **Restricted net position** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2013, there was no amount restricted by enabling legislation.
- b. **Unrestricted net position** – All other net position that do not meet the definition of “restricted.”

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

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

- a. **Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**K. Receipts and Disbursements**

**1. Program Receipts**

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

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

**2. Disbursements**

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

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**3. DEPOSITS AND INVESTMENTS**

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

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

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

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

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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 (STAR Ohio and STAR Plus);
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;
8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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

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

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**A. 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 \$807,714 and the bank balance was \$1,005,109. Of the bank balance, \$995,279 was covered by federal depository insurance and \$9,830 was collateralized but uninsured. Non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**B. Investments**

Investments are reported at carrying value. As of June 30, 2013, the district had the following investments:

	<b>Carrying Value</b>	<b>% of Investment Total</b>	<b>Maturities</b>
STAR Ohio	\$3,816,000	75%	<one year
Mutual Funds	1,267,910	25%	<one year
	<u>\$5,083,910</u>	<u>100%</u>	

**Interest Rate Risk**

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

**Custodial Credit Risk**

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

**Credit Risk**

The School District has no investment policy dealing with credit risk beyond the requirements in state statutes. Ohio law requires that Government & Agency Mutual Funds and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Government & Agency Mutual Funds and STAR Ohio carry a credit rating of AAAM by Standard and Poor's at June 30, 2013. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2013 is 58 days.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of Credit Risk**

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. More than 5 percent of the School District's investments are in Mutual Funds and STAR Ohio. These investments are 25 percent and 75 percent, respectively, of the School District's total investments for the amounts listed above.

**4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. PROPERTY TAXES (Continued)**

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$105,318,760	96%	\$107,648,320	95%
Public utility/Personal Property	4,953,510	4%	5,200,450	5%
Total	<u>\$110,272,270</u>	<u>100%</u>	<u>\$112,848,770</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.05		\$39.05	

**5. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2013, the School District contracted with Ohio School Plan/Hylant Group for property, general liability, professional liability, and automobile insurance. Settled claims have not exceeded the commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program/OASBO (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

**C. Health Care Benefits**

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. This plan is administered by Medical Mutual. In addition to the health benefits provided to employees under the Allen County Schools Health Benefit Plan disclosed in Note 13, the School District offers life insurance benefits and a cafeteria 125 flexible plan to all eligible employees as an option under this plan. The Life insurance was administered by AUL and contracted with Dearborn on March 1, 2013. The cafeteria 125 plan is administered by American Fidelity.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**6. PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy** - 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$129,246, \$122,334 and \$113,792, respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

**B. State Teachers Retirement System**

**Plan Description** - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement 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 may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. PENSION PLANS (Continued)**

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

**Funding Policy** - For fiscal year 2013, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$510,151, \$517,840 and \$524,962, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$12,548 made by the School District and \$8,963 made by the plan members.

**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, 2013, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**7. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 monthly premium for calendar year 2012 (the latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. POST EMPLOYMENT BENEFITS (Continued)**

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$16,571, \$19,964, and \$33,084, respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$7,301, \$7,253, and \$7,323, respectively; 100 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers Retirement System**

**Plan Description** - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$39,242, \$39,834, and \$40,382, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. EMPLOYEE BENEFITS - COMPENSATED ABSENCES**

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

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

**9. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

<b>General Obligations</b>	<b>Interest Rate</b>	<b>Principal Outstanding 6/30/2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding 6/30/2013</b>	<b>Due Within One Year</b>
<b>2004 Bond Issue</b>						
Current Interest	2.5-3.90%	\$ 540,000		\$265,000	\$ 275,000	\$275,000
Capital Appreciation	13.77%	189,992			189,992	
Accretion of Interest		355,691	\$77,729		433,420	
<b>2007 Bond Issue</b>						
Current Interest	2.70-4.20%	5,720,000		60,000	5,660,000	60,000
Capital Appreciation	33.76-33.86%	29,996			29,996	
Accretion of Interest		120,483	55,257		175,740	
<b>Total General Obligations</b>		<b>\$6,956,162</b>	<b>\$132,986</b>	<b>\$325,000</b>	<b>\$6,764,148</b>	<b>\$335,000</b>

**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 2013, \$77,729 was accreted for total bond value of \$623,412.

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.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. LONG TERM OBLIGATIONS (Continued)**

The current interest serial bonds will mature in fiscal years 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 2013, \$55,257 was accreted for total bond value of \$205,736.

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.

Future principal and interest requirements as of June 30, 2013 are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>2004 Bond Issue</b>	<b>2007 Bond Issue</b>	<b>Interest/ Accretion</b>	<b>Total</b>
2014	\$ 275,000	\$ 60,000	\$ 230,995	\$ 565,995
2015	71,925	60,000	228,685	360,610
2016	62,959	65,000	226,185	354,144
2017	55,108	70,000	223,485	348,593
2018		13,236	568,849	582,085
2019-2023		1,141,760	1,742,364	2,884,124
2024-2028		2,180,000	668,300	2,848,300
2029-2032		2,100,000	180,562	2,280,562
Total	<u>\$464,992</u>	<u>\$5,689,996</u>	<u>\$4,069,425</u>	<u>\$10,224,413</u>

**10. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2013, the set-aside activity was as follows:

**ALLEN EAST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. STATUTORY RESERVES (Continued)**

	<b>Capital Maintenance Reserve</b>
Set-aside cash balance as of June 30, 2012	
Current year set-aside requirement	\$192,486
Current year offsets	(213,835)
Total	(\$ 21,349)
Balance carried forward to fiscal year 2014	0
Set-aside restricted balance as of June 30, 2013	\$ 0

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

**11. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

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

	<b>General</b>	<b>Permanent Improvement Fund</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Non-spendable:</b>				
Library endowment			\$ 2,000	\$ 2,000
<b>Restricted for:</b>				
Permanent Improvements		\$896,969		896,969
OSFC Building			47,694	47,694
Debt Service			551,525	551,525
Extracurricular Activities			40,954	40,954
Food Service Operations			131,610	131,610
Library Endowment			26	26
Classroom Maintenance			215,828	215,828
Title I – 2012			832	832
Other Purposes			133	133
Total Restricted		896,969	988,602	1,885,571
<b>Assigned for:</b>				
Subsequent Year Appropriations	\$3,847,495			3,847,495
Other Purposes	8,372			8,372
Instruction	4,684			4,684
Support Services	45,054			45,054
Total Assigned	3,905,605			3,905,605
Total Fund Balance	\$3,905,605	\$896,969	\$990,602	\$5,793,176

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**12. 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.

**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.

**13. GROUP PURCHASING POOLS**

**Ohio School Boards Association Workers' Compensation Group Rating Plan/OASBO** - The School District participates in a group rating plan ("GRP") for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Ohio School Boards Association/OASBO as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. 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 School District participates in the Allen County Schools Health Benefits Plan (the "Plan"), a public entity shared risk pool consisting of the school districts within Allen County and the Allen County Educational Service Center. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c) (9) of the Internal Receipt Code and provides medical 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, 1920 Slabtown Rd., Lima, Ohio 45801.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. OPERATING LEASES**

The School District is obligated under an operating lease agreement with Perry Pro-Tech Corporation for copiers. This agreement does not give rise to property rights. The lease is for a term of 14,040,000 prints and began in May, 2007. There were lease payments of \$26,898 made to Dollar Leasing during fiscal year 2013. In April of 2013 the district signed a new lease with Perry Pro-Tech. The lease is for a term of 13,236,000 prints.

**15. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

**B. Litigation**

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

**C. Other Commitments**

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

<u>Fund</u>	<u>Amount</u>
General	\$52,734
Permanent Improvement	17,620
Non-Major Governmental	30,388
	<u>\$100,742</u>

**16. ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2013, 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.

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**17. BUDGETARY BASIS OF ACCOUNTING**

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

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,

(b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

<b>Net Change in Fund Balance</b>	
	<b>General Fund</b>
Cash basis	\$ 7,609
Funds budgeted elsewhere **	(5,428)
Adjustment for encumbrances	(47,093)
Budget basis	<u>(\$44,912)</u>

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

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**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30,2013**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>(Passed through the Ohio Department of Education)</i>					
<b>Child Nutrition Cluster:</b>					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$25,630		\$25,630
Cash Assistance:					
National School Lunch Program	10.555	\$144,068		\$144,068	
School Breakfast Program	10.553	12,544		12,544	
Total Child Nutrition Cluster		<u>156,612</u>	<u>25,630</u>	<u>156,612</u>	<u>25,630</u>
Total U.S. Department of Agriculture		<u>156,612</u>	<u>25,630</u>	<u>156,612</u>	<u>25,630</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>(Passed through the Ohio Department of Education)</i>					
Title I Grants to Local Educational Agencies	84.010	170,898		172,095	
Special Education Grants to States	84.027	196,006		196,006	
Improving Teacher Quality State Grants	84.367	23,833		23,833	
Race-to-the-Top Incentive Grants, Recovery Act	84.395	63,353		66,301	
		<u>454,090</u>		<u>458,235</u>	
Total U.S. Department of Education		<u>454,090</u>		<u>458,235</u>	
Total Federal Assistance		<u>\$610,702</u>	<u>\$25,630</u>	<u>\$614,847</u>	<u>\$25,630</u>

*See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures.*

**ALLEN EACH LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE D - TRANSFERS**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2013, the ODE did not authorize any transfers.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allen East Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 7, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-001.

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***Entity's Response to Findings***

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 7, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Allen East Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that could directly and materially affect the Allen East Local School District's major federal programs for the fiscal year ended June 30, 2013. The Summary of Audit Results in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' Government Auditing Standards; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Allen East Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the fiscal year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 7, 2014

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
----------------------------------------

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA #10.553 and #10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2013-001**

**Noncompliance Citation**

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

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

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

**OFFICIALS' RESPONSE:** The School District plans to continue reporting on the cash basis of accounting.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**ALLEN EAST LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Ohio Rev. Code Sec. 117.28 and Ohio Admin. Code Sec. 117-02-03 (B) – Failed to file financial statements in accordance with GAAP	No	Repeated as Finding 2013-001

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the School District amended its anti-harassment policy at its meeting on May 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 7, 2014

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# Dave Yost • Auditor of State

**ALLEN EAST LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2014**