



**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type	12
Combined Statement of Cash Flows - Proprietary Fund Type	13
Notes to the General Purposes Financial Statements	15
Schedule of Federal Awards Receipts and Expenditures	41
Notes to Schedule of Federal Awards Receipts and Expenditures	43
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings - <i>OMB Circular A-133 § .505</i>	49

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REPORT OF INDEPENDENT ACCOUNTANTS

Alexander Local School District
Athens County
6091 Ayers Road
Albany, Ohio 45710

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Alexander Local School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Alexander Local School District, Athens County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the general purpose financial statements, during the year ended June 30, 2001, the School District adopted Governmental Accounting Statement No. 33 and No. 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 19, 2001

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ALEXANDER LOCAL SCHOOL DISTRICT
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$665,377	\$579,547	\$313,028	\$15,733,784
<u>Receivables:</u>				
Taxes	2,617,706	59,082	538,991	0
Accounts	13,760	0	0	0
Intergovernmental	0	92,135	0	19,093,220
Accrued Interest	0	0	0	142,511
Interfund	25,000	0	0	0
Prepaid Items	15,903	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	122,588	5,051	0	0
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	287,231	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from				
General Government Resources	0	0	0	0
Total Assets and Other Debits	\$3,747,565	\$735,815	\$852,019	\$34,969,515
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$13,365	\$1,739	\$0	\$0
Contracts Payable	0	0	0	176,624
Accrued Wages and Benefits Payable	725,036	111,921	0	0
Compensated Absences Payable	18,892	0	0	0
Intergovernmental Payable	142,297	15,597	0	0
Interfund Payable	0	0	0	0
Deferred Revenue	2,420,946	74,913	500,800	19,093,220
Due to Students	0	0	0	0
Accrued Interest Payable	0	0	0	180,337
Notes Payable	0	0	0	7,271,000
Capital Leases Payable	0	0	0	0
Property Tax Refund Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,320,536	204,170	500,800	26,721,181
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
<u>Retained Earnings:</u>				
Unreserved	0	0	0	0
<u>Fund Balance:</u>				
Reserved for Encumbrances	258,971	253,129	0	262,282
Reserved for Inventory	122,588	5,051	0	0
Reserved for Property Taxes	196,760	4,188	38,191	0
Reserved for Bus Purchase Allowance	98,620	0	0	0
Reserved for Statutory Set-Asides	188,611	0	0	0
<u>Unreserved:</u>				
Undesignated	(438,521)	269,277	313,028	7,986,052
Total Fund Equity and Other Credits	427,029	531,645	351,219	8,248,334
Total Liabilities, Fund Equity and Other Credits	\$3,747,565	\$735,815	\$852,019	\$34,969,515

See accompanying notes to the general purpose financial statements and accountant's report.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$27,413	\$49,618	\$0	\$0	\$17,368,767
0	0	0	0	3,215,779
138	178	0	0	14,076
17,095	0	0	0	19,202,450
0	0	0	0	142,511
0	0	0	0	25,000
0	0	0	0	15,903
9,351	0	0	0	9,351
1,410	0	0	0	129,049
0	0	0	0	287,231
101,181	0	5,381,659	0	5,482,840
0	0	0	351,219	351,219
0	0	0	8,515,293	8,515,293
<u>\$156,588</u>	<u>\$49,796</u>	<u>\$5,381,659</u>	<u>\$8,866,512</u>	<u>\$54,759,469</u>
\$679	\$0	\$0	\$0	\$15,783
0	0	0	0	176,624
23,707	0	0	0	860,664
13,973	0	0	560,518	593,383
12,231	0	0	79,550	249,675
25,000	0	0	0	25,000
3,830	0	0	0	22,093,709
0	49,796	0	0	49,796
0	0	0	0	180,337
0	0	0	0	7,271,000
0	0	0	195,449	195,449
0	0	0	204,217	204,217
0	0	0	453,000	453,000
0	0	0	103,778	103,778
0	0	0	7,270,000	7,270,000
<u>79,420</u>	<u>49,796</u>	<u>0</u>	<u>8,866,512</u>	<u>39,742,415</u>
0	0	5,381,659	0	5,381,659
77,168	0	0	0	77,168
0	0	0	0	774,382
0	0	0	0	127,639
0	0	0	0	239,139
0	0	0	0	98,620
0	0	0	0	188,611
0	0	0	0	8,129,836
<u>77,168</u>	<u>0</u>	<u>5,381,659</u>	<u>0</u>	<u>15,017,054</u>
<u>\$156,588</u>	<u>\$49,796</u>	<u>\$5,381,659</u>	<u>\$8,866,512</u>	<u>\$54,759,469</u>

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ALEXANDER LOCAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Taxes	\$2,590,867	\$32,192	\$294,245	\$0	\$2,917,304
Intergovernmental	5,893,828	1,776,306	25,783	1,325,669	9,021,586
Interest	50,442	0	0	250,374	300,816
Tuition and Fees	41,401	0	0	0	41,401
Extracurricular Activities	0	68,279	0	0	68,279
Gifts and Donations	0	121,901	0	0	121,901
Miscellaneous	65,383	31,339	37,055	366	134,143
Total Revenues	8,641,921	2,030,017	357,083	1,576,409	12,605,430
<u>Expenditures:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	3,893,404	936,375	0	0	4,829,779
Special	818,010	433,258	0	0	1,251,268
Vocational	281,874	2,897	0	0	284,771
Other	17,565	0	0	0	17,565
<i>Support Services:</i>					
Pupils	563,709	60,361	0	0	624,070
Instructional Staff	214,589	171,320	0	0	385,909
Board of Education	28,496	0	0	0	28,496
Administration	622,677	92,447	869	0	715,993
Fiscal	216,698	1,291	4,995	0	222,984
Operation and Maintenance of Plant	750,908	38,243	0	0	789,151
Pupil Transportation	998,253	15,652	0	0	1,013,905
Central	110,726	56,579	0	0	167,305
Extracurricular Activities	137,338	62,343	0	0	199,681
Capital Outlay	368,044	18,000	0	432,156	818,200
<i>Debt Service:</i>					
Principal Retirement	52,393	0	126,029	0	178,422
Interest and Fiscal Charges	14,163	0	27,126	180,337	221,626
Total Expenditures	9,088,847	1,888,766	159,019	612,493	11,749,125
Excess of Revenues Over (Under) Expenditures	(446,926)	141,251	198,064	963,916	856,305
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	0	0	153,155	0	153,155
Proceeds from Sale of Bonds	0	0	0	7,270,000	7,270,000
Proceeds from Sale of Fixed Assets	8,706	0	0	0	8,706
Inception of Capital Lease	65,500	0	0	0	65,500
Operating Transfers Out	(213,155)	0	0	0	(213,155)
Total Other Financing Sources (Uses)	(138,949)	0	153,155	7,270,000	7,284,206
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(585,875)	141,251	351,219	8,233,916	8,140,511
Fund Balances at Beginning of Year	965,565	388,464	0	14,418	1,368,447
Increase (Decrease) in Reserve for Inventory	47,339	1,930	0	0	49,269
Fund Balances at End of Year	\$427,029	\$531,645	\$351,219	\$8,248,334	\$9,558,227

See accompanying notes to the general purpose financial statements and accountant's report.

ALEXANDER LOCAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$2,545,186	\$2,582,343	\$37,157
Intergovernmental	5,937,680	5,895,478	(42,202)
Interest	55,000	50,442	(4,558)
Tuition and Fees	48,275	29,681	(18,594)
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	59,770	64,631	4,861
Total Revenues	8,645,911	8,622,575	(23,336)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	3,965,319	3,899,357	65,962
Special	822,183	813,208	8,975
Vocational	290,411	280,256	10,155
Other	18,000	17,565	435
Support Services:			
Pupils	606,273	575,657	30,616
Instructional Staff	259,463	229,486	29,977
Board of Education	33,725	29,251	4,474
Administration	739,164	673,070	66,094
Fiscal	242,655	216,972	25,683
Operation and Maintenance of Plant	895,757	794,367	101,390
Pupil Transportation	1,206,595	1,127,853	78,742
Central	132,927	118,467	14,460
Extracurricular Activities	148,408	137,638	10,770
Capital Outlay	309,000	302,544	6,456
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	9,669,880	9,215,691	454,189
Excess of Revenues Over (Under) Expenditures	(1,023,969)	(593,116)	430,853
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	8,725	8,706	(19)
Proceeds from Sale of Notes	0	0	0
Proceeds from Sale of Bonds	0	0	0
Advances In	11,000	11,000	0
Operating Transfers Out	(213,155)	(213,155)	0
Advances Out	0	(5,000)	(5,000)
Total Other Financing Sources (Uses)	(193,430)	(198,449)	(5,019)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,217,399)	(791,565)	425,834
Fund Balances at Beginning of Year	1,114,704	1,114,704	0
Prior Year Encumbrances Appropriated	357,134	357,134	0
Fund Balances at End of Year	<u>\$254,439</u>	<u>\$680,273</u>	<u>\$425,834</u>

See accompanying notes to the general purpose financial statements and accountant's report.

SPECIAL REVENUE FUNDS

DEBT SERVICE FUND

Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$28,010	\$28,004	(\$6)	\$255,400	\$256,054	\$654
1,812,015	1,709,235	(102,780)	23,276	25,783	2,507
0	0	0	0	0	0
0	0	0	0	0	0
71,162	68,279	(2,883)	0	0	0
114,268	121,901	7,633	0	0	0
31,350	31,339	(11)	0	37,055	37,055
<u>2,056,805</u>	<u>1,958,758</u>	<u>(98,047)</u>	<u>278,676</u>	<u>318,892</u>	<u>40,216</u>
1,121,589	1,029,585	92,004	0	0	0
479,702	444,903	34,799	0	0	0
4,397	2,897	1,500	0	0	0
0	0	0	0	0	0
96,962	86,754	10,208	0	0	0
232,082	173,798	58,284	0	0	0
0	0	0	0	0	0
134,326	94,635	39,691	900	869	31
1,350	1,291	59	5,100	4,995	105
41,176	38,243	2,933	0	0	0
135,876	135,622	254	0	0	0
63,500	58,999	4,501	0	0	0
70,424	64,790	5,634	0	0	0
18,000	18,000	0	0	0	0
0	0	0	126,029	126,029	0
0	0	0	27,126	27,126	0
<u>2,399,384</u>	<u>2,149,517</u>	<u>249,867</u>	<u>159,155</u>	<u>159,019</u>	<u>136</u>
(342,579)	(190,759)	151,820	119,521	159,873	40,352
0	0	0	153,155	153,155	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	5,000	5,000	0	0	0
0	0	0	0	0	0
0	(11,000)	(11,000)	0	0	0
<u>0</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>153,155</u>	<u>153,155</u>	<u>0</u>
(342,579)	(196,759)	145,820	272,676	313,028	40,352
404,050	404,050	0	0	0	0
92,211	92,211	0	0	0	0
<u>\$153,682</u>	<u>\$299,502</u>	<u>\$145,820</u>	<u>\$272,676</u>	<u>\$313,028</u>	<u>\$40,352</u>

(Continued)

ALEXANDER LOCAL SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	CAPITAL PROJECTS FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	1,325,669	1,325,669	0
Interest	89,159	107,863	18,704
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	366	366	0
Total Revenues	1,415,194	1,433,898	18,704
<u>Expenditures:</u>			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
<i>Support Services:</i>			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	885,655	517,814	367,841
<i>Debt Service:</i>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	885,655	517,814	367,841
Excess of Revenues Over (Under) Expenditures	529,539	916,084	386,545
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Proceeds from Sale of Notes	7,271,000	7,271,000	0
Proceeds from Sale of Bonds	7,328,715	7,270,000	(58,715)
Advances In	0	0	0
Operating Transfers Out	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	14,599,715	14,541,000	(58,715)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	15,129,254	15,457,084	327,830
Fund Balances at Beginning of Year	13,840	13,840	0
Prior Year Encumbrances Appropriated	578	578	0
Fund Balances at End of Year	\$15,143,672	\$15,471,502	\$327,830

See accompanying notes to the general purpose financial statements and accountant's report.

TOTALS (MEMORANDUM ONLY)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,828,596	\$2,866,401	\$37,805
9,098,640	8,956,165	(142,475)
144,159	158,305	14,146
48,275	29,681	(18,594)
71,162	68,279	(2,883)
114,268	121,901	7,633
91,486	133,391	41,905
<u>12,396,586</u>	<u>12,334,123</u>	<u>(62,463)</u>
5,086,908	4,928,942	157,966
1,301,885	1,258,111	43,774
294,808	283,153	11,655
18,000	17,565	435
703,235	662,411	40,824
491,545	403,284	88,261
33,725	29,251	4,474
874,390	768,574	105,816
249,105	223,258	25,847
936,933	832,610	104,323
1,342,471	1,263,475	78,996
196,427	177,466	18,961
218,832	202,428	16,404
1,212,655	838,358	374,297
126,029	126,029	0
27,126	27,126	0
<u>13,114,074</u>	<u>12,042,041</u>	<u>1,072,033</u>
(717,488)	292,082	1,009,570
153,155	153,155	0
8,725	8,706	(19)
7,271,000	7,271,000	0
7,328,715	7,270,000	(58,715)
11,000	16,000	5,000
(213,155)	(213,155)	0
0	(16,000)	(16,000)
<u>14,559,440</u>	<u>14,489,706</u>	<u>(69,734)</u>
13,841,952	14,781,788	939,836
1,532,594	1,532,594	0
<u>449,923</u>	<u>449,923</u>	<u>0</u>
<u>\$15,824,469</u>	<u>\$16,764,305</u>	<u>\$939,836</u>

ALEXANDER LOCAL SCHOOL DISTRICT

**Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001**

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$231,597
Other Operating Revenues	88
<i>Total Operating Revenues</i>	<u>231,685</u>
<u>Operating Expenses:</u>	
Salaries	158,420
Fringe Benefits	61,544
Purchased Services	233
Material and Supplies	48,003
Cost of Sales	172,624
Depreciation	1,804
Other Operating Expenses	168
<i>Total Operating Expenses</i>	<u>442,796</u>
Operating Income (Loss)	(211,111)
<u>Nonoperating Revenues:</u>	
Federal Donated Commodities	18,989
Interest Income	59
Federal and State Subsidies	141,038
<i>Total Nonoperating Revenues</i>	<u>160,086</u>
Income (Loss) Before Operating Transfers	(51,025)
Operating Transfers In	<u>60,000</u>
Net Income (Loss)	8,975
Retained Earnings at Beginning of Year	<u>68,193</u>
Retained Earnings at End of Year	<u><u>\$77,168</u></u>

See accompanying notes to the general purpose financial statements and accountant's report.

ALEXANDER LOCAL SCHOOL DISTRICT
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$233,922
Cash Received from Other Operating Revenues	88
Cash Payments to Suppliers for Goods and Services	(201,881)
Cash Payments to Employees for Services	(157,428)
Cash Payments for Employee Benefits	(61,500)
Cash Payments for Other Operating Expenses	(168)
<i>Net Cash from Operating Activities</i>	(186,967)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	123,943
Transfers In from Other Funds	60,000
<i>Net Cash from Noncapital Financing Activities</i>	183,943
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(2,144)
<i>Net Cash from Capital and Related Financing Activities</i>	(2,144)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	59
<i>Net Cash from Investing Activities</i>	59
Net Increase (Decrease) in Cash and Cash Equivalents	(5,109)
Cash and Cash Equivalents at Beginning of Year	32,522
Cash and Cash Equivalents at End of Year	\$27,413
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash from Operating Activities:</u>	
Operating Income (Loss)	(\$211,111)
<u>Adjustments to Reconcile Operating Income (Loss)</u>	
<u>to Net Cash from Operating Activities:</u>	
Depreciation	1,804
Donated Commodities Used During Year	18,989
<u>Changes in Assets and Liabilities:</u>	
(Increase) Decrease in Accounts Receivable	2,326
(Increase) Decrease in Inventory Held for Resale	402
(Increase) Decrease in Materials and Supplies Inventory	(148)
Increase (Decrease) in Accounts Payable	679
Increase (Decrease) in Accrued Wages and Benefits Payable	(861)
Increase (Decrease) in Compensated Absences Payable	1,853
Increase (Decrease) in Intergovernmental Payable	43
Increase (Decrease) in Deferred Revenue	(943)
Total Adjustments	24,144
Net Cash from Operating Activities	(\$186,967)

See accompanying notes to the general purpose financial statements and accountant's report.

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ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Alexander Local School District (the "District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's four (4) instructional support facilities staffed by 74 non-certificated and 130 teaching personnel and administrative employees providing education to approximately 1,692 students.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

Reporting Entity

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

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

The Parent Teacher Organizations perform activities within the District's boundaries for the benefit of its residents but are excluded from the accompanying financial statements because the District is not financially accountable for them nor are they fiscally dependent on the District.

The District is associated with five organizations, three of which are defined as jointly governed organizations, one as an affiliated organization and one as a group purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Tri-County Joint Vocational School, the Athens County School Employees Health and Welfare Benefit Association, the Alexander Future Foundation and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20, 21 and 22 to the general purpose financial statements.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - Fund-Accounting

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

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

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

Governmental Fund Types:

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

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

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

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary Fund Type:

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

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

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The only fiduciary fund of the District is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, tuition, student fees and grants.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

Tax Budget: Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Athens County Budget Commission for rate determination.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which state the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter objective appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, eight supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budget basis (non-GAAP) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

Cash and Cash Equivalents

To improve cash management, all cash received by the 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 District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the combined balance sheet. Interest earnings are allocated by State statute.

During fiscal year 2001, the District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio) and U.S. government agency securities.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$50,442, which includes \$13,452 assigned from other District funds. In addition, the School Facilities Capital Projects Fund and the Food Service Enterprise Fund received \$250,374 and \$59, respectively, in interest revenue.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of a cash management pool and investments with a maturity of three months or less at the time they are purchased by the District would be considered to be cash equivalents.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents restricted for school bus purchases, as well as amounts set aside to establish a reserve for textbooks and instructional materials, capital improvements and maintenance, and budget stabilization in accordance with the State statute. A reserve for budget stabilization is no longer required by State statute and any balance remaining in the previously required budget reserve can be used with certain restrictions, at the discretion of the Board of Education. A corresponding fund balance reserve has also been established for each set aside amount.

Fixed Assets and Depreciation

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

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Assets in the General Fixed Assets Account Group are depreciated using the straight-line method over an estimated useful life of 50 years for buildings, 20 years for improvements other than buildings, 6 to 15 years for furniture, equipment and fixtures, and 5 to 10 years for vehicles. Depreciation of furniture and equipment, the only proprietary fund type fixed asset classification, is computed using the straight-line method over an estimated useful life of 15 years.

Intergovernmental Revenues

Intergovernmental revenues are generally received from reimbursable, nonreimbursable and entitlement type grant programs. These grant programs involve transactions that are categorized as either government-mandated or voluntary nonexchange transactions. For governmental funds, intergovernmental revenues from government-mandated and voluntary nonexchange transactions are recorded as a receivable when all eligibility requirements are met, and as revenue when the resources are available. Revenues that are not available in the current period are deferred. For proprietary funds, intergovernmental revenues from government-mandated and voluntary nonexchange transactions are recorded as a receivable and revenue when all eligibility requirements are met. Revenues received before the eligibility requirements are met are deferred.

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

Entitlements

General Fund

State Foundation Program

Nonreimbursable Grants

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Education Management Information Systems
Public School Preschool
Dwight D. Eisenhower Professional Development
Title I
Title VI
Title VI-B
Title VI-R
Extended Learning Opportunities
Continuous Improvement
Drug Free Schools Program
Local Professional Development
Textbook/Materials Subsidy
Schoolnet Professional Development
Ohio Schoolnet "Raising the Bar"
Performance Incentive
Ohio Reads
Summer School Subsidy
School to Work
Appalachian Ohio Environmental Project
Ohio Partners in Character Education
Safe Schools Hotline

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capital Projects Funds

Technology Equity
Schoolnet Powerup
Schoolnet Plus
Schoolnet Onenet
Schoolnet Praise
Classroom Facilities - State
Classroom Facilities - Local

Reimbursable Grants

General Fund

School Bus Purchase Reimbursement

Proprietary Fund

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grant and entitlements amounted to approximately sixty-seven percent of the District's revenue during the 2001 fiscal year.

Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the combined balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are eligible to receive termination payments and by those employees for whom it is probable will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the District's termination policy.

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

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources. Long-term loans, certain intergovernmental obligations, property tax refunds, capital lease obligations, and early retirement incentives are reported as a liability of the General Long-Term Obligations Account Group until due.

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

Interfund Transactions

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

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

Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that a portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, school bus purchases and statutory set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for statutory set-asides represents the amounts that have been set aside for textbooks, capital improvements, and budget stabilization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

The District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 33 established accounting and financial reporting guidelines about when to report the results of nonexchange transactions. GASB Statement No. 36 is a modification to the provisions of GASB Statement No. 33 for certain specific nonexchange revenues. The implementation of these statements had no effect on previous fund balances or retained earnings and did not require a prior period adjustment.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference of \$60,000 between transfers in and transfers out on this budget basis statement is due to a transfer to the Food Service (Enterprise) Fund. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Proceeds from bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other Financing Sources
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$585,875)	\$141,251	\$351,219	\$8,233,916
<i>Adjustments:</i>				
Revenue Accruals	(19,346)	(71,259)	(38,191)	(142,511)
Expenditure Accruals	(126,844)	(260,751)	0	94,679
Other Financing Sources/Uses	(59,500)	(6,000)	0	7,271,000
Budget Basis	<u>(\$791,565)</u>	<u>(\$196,759)</u>	<u>\$313,028</u>	<u>\$15,457,084</u>

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficit

Fund balances at June 30, 2001 included the following individual fund deficit:

<i>Special Revenue Funds:</i>	
Title I	\$283

The deficit in this fund is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur. This deficit does not exist on the cash basis.

Compliance

The following fund and account had expenditures plus encumbrances in excess of appropriations at year end, contrary to Section 5705.41, Ohio Revised Code:

<i>Special Revenue Funds:</i>	
Ohio Reads Grant	
Regular Instruction	
Other	\$10,589

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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 has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 money deposited with the institution.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government 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 fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAROhio); and
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 investment may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$1,212,065, and the bank balance was \$1,580,527. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized as defined by the GASB. Although the securities serving as collateral were held by the pledging financial institutions' trust department in the District's name and all State statutory requirements for the investments of money had been followed, noncompliance with federal requirements would potentially subject the money to a successful claim by the Federal Deposit Insurance Corporation.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
U. S. Government Agency Securities	\$14,671,682	\$14,671,682	\$14,671,682
STAROhio	--	1,772,251	1,772,251
Totals	\$14,671,682	\$16,443,933	\$16,443,933

The classification of cash and cash equivalent on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents on the combined balance sheet and the classification of deposits and investments in GASB Statement No. 3 follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$17,655,998	\$0
<i>Investments:</i>		
U. S. Government Agency Securities	(14,671,682)	14,671,682
STAROhio	(1,772,251)	1,772,251
GASB Statement 3	\$1,212,065	\$16,443,933

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES - (Continued)

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

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

The District receives property taxes from Athens, Meigs and Vinton Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30, 2001 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$196,760 for the General Fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$76,065,810	69.91%	\$86,826,910	74.20%
Public Utility Personal	23,889,620	21.96%	23,623,340	20.19%
Tangible Personal Property	8,845,324	8.13%	6,564,167	5.61%
Total Assessed Value	<u>\$108,800,754</u>	<u>100.00%</u>	<u>\$117,014,417</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$37.00		\$42.06

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<i>Special Revenue Funds:</i>	
Title I Grant	\$72,116
Performance Incentive Grant	20,019
<i>Total Special Revenue</i>	92,135
 <i>Capital Projects Funds:</i>	
School Facilities Commission	19,093,220
 <i>Enterprise Fund:</i>	
Federal & State Subsidies	17,095
Total Intergovernmental Receivables	\$19,202,450

NOTE 9 - FIXED ASSETS

A summary of the Enterprise Funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$208,672
Less: Accumulated Depreciation	(107,491)
Net Fixed Assets	\$101,181

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at July 1, 2000	Transfer/ Additions	Transfer/ Deletions	Balance at June 30, 2001
Land	\$84,425	\$248,000	\$0	\$332,425
Buildings and Improvements	3,418,140	65,500	0	3,483,640
Improvements Other than Buildings	480,081	0	0	480,081
Furniture and Equipment	2,157,351	277,488	20,309	2,414,530
Vehicles	1,538,457	487,480	0	2,025,937
Sewage Plant Facility	16,640	0	0	16,640
Totals	\$7,695,094	\$1,078,468	\$20,309	8,753,253
Less: Accumulated Depreciation				(3,371,594)
Net Fixed Assets				\$5,381,659

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 9 - FIXED ASSETS - (Continued)

At June 30, 2001, general fixed assets include \$364,720 of buildings and improvements under capitalized leases. There was no significant construction in progress at June 30, 2001.

NOTE 10 - RISK MANAGEMENT

The 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. During fiscal year 2001, the District contracted with various commercial carriers for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents - replacement cost (\$500 deductible)	\$20,091,149
Inland Marine Coverage (\$100 deductible)	\$39,860
Musical Instruments (\$250 deductible)	\$141,322
Automobile Liability (\$100 deductible):	
Per Person	\$300,000
Per Accident	\$500,000
Uninsured Motorists (\$100 deductible):	
Per Person	\$300,000
Per Accident	\$500,000
General Liability:	
Per Occurrence	\$1,000,000
Total Per Year	\$3,000,000
Public Official Bonds:	
Treasurer	\$20,000
Superintendent/Board President (each)	\$20,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 22). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2001, 4.2 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$57,088, \$68,054, and \$98,889, respectively; 50.60 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$28,199 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 2001, 9.5 percent of the District's contribution was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$480,288, \$277,119, and \$260,078, respectively; 82.69 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$83,122 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Social Security System

Effective June 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, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$227,505 during fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

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

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$152,714 during the 2001 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer. 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 200 days. Upon retirement, payment is made for thirty-three percent of the employee's accumulated sick leave up to a maximum of seventy days.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 13 - EMPLOYEE BENEFITS - (Continued)

The amount of accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund.

For governmental funds, the current portion of unpaid compensated absences is \$18,892 and is reported as a liability in the General Fund. The remaining balance of \$560,518 is reported as a liability in the General Long-Term Obligations Account Group. The liability for compensated absences in the Enterprise Funds' is \$13,973 at June 30, 2001.

Health Care Benefits

The District has elected to provide employee medical/surgical benefits, dental and prescription drug benefits through the Athens County School Employee Health and Welfare Benefit Association. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. See Note 20 for more information concerning the Athens County School Employee Health and Welfare Benefit Association.

Early Retirement Incentives

On August 15, 1997, the District approved an Early Retirement Incentive Program. Participation was open to STRS employees who were at least fifty years old, qualified for retirement with the years purchased by the Board, and agreed to retire within ninety days after notification that credit had been purchased. The credit could not exceed the lesser of one year or one-fifth of each member's total Ohio service. The Board limited the number of employees participating in the plan to six members of the bargaining unit. The Board had the option of paying the STRS early retirement buyout in its entirety or in installments. The Board elected to pay the retirement buyout as the invoices were received from STRS.

STRS members who chose to participate in the one-year early retirement buyout option and have or will have the required age and years of service, including the one year of purchased service required by STRS, had to retire within 90 days after notification that credit had been purchased.

STRS employees must inform the District ninety days prior to retirement. The retirement incentive program was only in effect from November 19, 1997 through November 18, 1998. The District no longer offers the retirement incentive program to its employees, but still has liabilities remaining to be paid in future years for those who participated in the program.

During fiscal year 2001, the District paid off the remaining balance of \$71,568 in early retirement incentive obligations.

NOTE 14 - SHORT-TERM OBLIGATIONS

At June 30, 2001, bond anticipation notes of \$7,271,000 are reported as a liability of the School Facilities Capital Projects Fund. These bond anticipation notes mature on July 18, 2001, and have an interest rate of 4.92%.

At June 30, 2001 interest payable of \$180,337 was accrued on these notes in the School Facilities Capital Projects Fund. These notes are backed by the full faith and credit of the District. The District issued general obligation bonds during fiscal year 2001 and intends to use the proceeds to repay these notes.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during the 2001 fiscal year were as follows:

	Maturity Date	Interest Rate	Principal Outstanding at July 1, 2000	Additions	Deletions	Principal Outstanding at June 30, 2001
Compensated Absences	N/A	N/A	\$554,063	\$6,455	\$0	\$560,518
Intergovernmental Payable	N/A	N/A	66,045	13,505	0	79,550
Capital Leases Payable	5/10/05	7.69%	182,342	65,500	52,393	195,449
Property Tax Refund Payable	2002	N/A	354,416	0	150,199	204,217
Energy Conservation Loan	9/1/02	4.90%	225,000	0	75,000	150,000
Energy Conservation Loan	12/1/06	6.00%	345,000	0	42,000	303,000
Asbestos Removal Loan	5/30/13	N/A	112,807	0	9,029	103,778
Early Retirement Incentive	Various	Various	71,568	0	71,568	0
General Obligation Bonds	12/1/23	3.50 -5.60%	0	7,270,000	0	7,270,000
Total General Long-Term Obligations			<u>\$1,911,241</u>	<u>\$7,355,460</u>	<u>\$400,189</u>	<u>\$8,866,512</u>

General obligation bonds were issued in the amount of \$7,270,000 in April 2001, as a result of the District being approved for \$20,297,652 school facilities funding through the State Department of Education for the renovation of the high school building and to consolidate kindergarten through grade 12 into one building. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 5.06 mill levy in November 2000. Of the 5.06 mill levy, 4.56 mills is used for the retirement of the bonds that were issued and are in effect for twenty-three years. The remaining .5 mill is used for repairs and maintenance of the facility. As a part of this funding process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the District's adjusted valuation per pupil increase above the state-wide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution.

Compensated absences, intergovernmental and early retirement incentives payable are paid from the fund from which the person is paid. The capital leases payable are paid from the General Fund and the property tax refund payable is deducted from the property tax settlement of the General Fund by the Athens County Auditor. All other long-term obligations are paid from the Debt Service Fund.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - LONG-TERM OBLIGATIONS - (Continued)

The District's voted legal debt margin was \$3,620,726 with an unvoted debt margin of \$117,014 at June 30, 2001.

Principal and interest requirements to retire the property tax refund, energy conservation loans, asbestos removal loan and general obligation bonds at June 30, 2001 are as follows:

Year Ending June 30	Property Tax Refund	Energy Conservation Loan	Energy Conservation Loan	Asbestos Removal Loan	General Obligation Bonds
2002	\$150,198	\$81,750	\$58,745	\$9,029	\$504,436
2003	54,019	77,250	58,491	9,029	549,831
2004	0	0	58,138	9,029	547,439
2005	0	0	57,688	9,029	549,508
2006	0	0	58,116	9,029	550,925
2007-2011	0	0	58,397	45,145	2,734,420
2012-2016	0	0	0	13,488	2,717,978
2017-2021	0	0	0	0	2,691,671
2022-2024	0	0	0	0	1,590,638
Total Principal & Interest	204,217	159,000	349,575	103,778	12,436,846
Less: Interest	0	9,000	46,575	0	5,166,846
Total Principal	\$204,217	\$150,000	\$303,000	\$103,778	\$7,270,000

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for modular buildings. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership of to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the combined budgetary statements.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

General fixed assets consisting of buildings and improvements have been capitalized in the General Fixed Assets Account Group in the amount of \$364,720. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability has been recorded in the General Long-Term Obligations Account Group. Principal payments in fiscal year 2001 totaled \$52,393 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30	General Long-Term Obligations Account Group
2002	\$70,480
2003	70,480
2004	40,612
2005	36,047
2006	3,924
Total	221,543
Less: Amount Representing Interest	(26,094)
Present Value of Net Minimum Lease Payments	\$195,449

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
<i>General Fund</i>	\$25,000	\$0
<i>Enterprise Funds:</i>		
Food Service	0	25,000
Total	\$25,000	\$25,000

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 18 - STATUTORY SET ASIDES

The following changes occurred in the District's set aside reserve accounts during fiscal year 2001:

	Textbooks	Capital Improvements	Budget Stabilization	Totals
Set Aside Balance as of July 1, 2000	\$97,739	\$35,351	\$115,646	\$248,736
Current Year Set Aside Requirement	161,483	161,483	24,491	347,457
Current Year Offset	0	0	0	0
Qualifying Disbursements	(238,344)	(169,238)	0	(407,582)
Total	20,878	27,596	140,137	188,611
Set Aside Balance as of June 30, 2001	<u>\$20,878</u>	<u>\$27,596</u>	<u>\$140,137</u>	
Total Restricted Assets				<u>\$188,611</u>

On November 20, 2001, the District's Board of Education approved the elimination of the District's Budget Stabilization reserve account as permitted by Senate Bill 345, 123rd General Assembly. The District moved the Budget Stabilization set aside balance at June 30, 2001 of \$140,137, plus the additional amount set aside as of November 20, 2001 of \$119,728, for a total of \$259,865, to the Classroom Facilities - Budget Reserve as provided in Auditor of State Bulletin 2001-006 dated May 21, 2001. These monies are to be used for the new building construction project.

NOTE 19 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for operations of food service sales and uniform school supply sales. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise
Operating Revenues	\$207,299	\$24,386	\$231,685
Operating Expenses			
Less Depreciation	411,289	29,703	440,992
Depreciation Expense	1,804	0	1,804
Operating Income (Loss)	(205,794)	(5,317)	(211,111)
Donated Commodities	18,989	0	18,989
Operating Grants	141,038	0	141,038
Net Income (Loss)	(45,708)	(5,317)	(51,025)
Net Working Capital	(20,522)	21,509	987
Total Assets	134,400	22,188	156,588
Total Liabilities	78,741	679	79,420
Total Equity	55,659	21,509	77,168

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative

Southeast Ohio Voluntary Education Consortium, is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 35 participants consisting of 26 school districts and 9 county boards of education. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member of the district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Educational Consortium, 221 North Columbus Road, Athens, Ohio 45701. The District paid SEOVEC \$12,901 in fiscal year 2001.

Tri-County Joint Vocational School District

The Tri-County Joint Vocational School District is a jointly governed organization providing vocational services to its eight member districts. The Joint Vocational School is governed by a board of education comprised of eleven members appointed by the participating districts. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2001, the District made no contributions to the Joint Vocational School. Financial information can be obtained from the Tri-County Joint Vocational School, 15676 State Route 691, Nelsonville, Ohio 45764.

Athens County School Employee Health and Welfare Benefit Association

The District is a participant in a consortium of seven districts to operate the Athens County School Employee Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with Anthem Insurance Company to be the health care provider for medical benefits as well as to provide aggregate and specific stop loss insurance coverage, and Coresource to provide administration for its dental benefits. The Association is governed by a board of directors consisting of one representative from each of the participating districts. Financial information for the Association can be obtained from the administrators at Combs & Associates, P.O. Box 735, Kenton, OH 43326.

NOTE 21 - AFFILIATED ORGANIZATION

Alexander Future Foundation

The District is affiliated with the Alexander Future Foundation to provide educational support to students of the Alexander Local School District. The Foundation is a non-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is governed by a board of trustees which consists of not more than twenty nor less than twelve members. The District's Superintendent and Treasurer and the PTO representative are continuous members of the Board, however, the other members must be elected. One is elected from the faculty or staff members of the District and the remainder are elected from members of the District's Community.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 22 - GROUP PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Worker's Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay a enrollment fee to the Plan to cover the costs of administering the program.

NOTE 23 - SCHOOL FUNDING COURT DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and determine any issue upon reconsideration.

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

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 24 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

Litigation

As of June 30, 2001, the District was not a party to any pending litigation or potential liabilities that would have a material effect on the financial statements.

NOTE 25 - SUBSEQUENT EVENT

In July 2001, the District retired the outstanding bond anticipation notes of \$7,721,000. These notes were retired using the proceeds of the general obligations bonds issued during fiscal year 2001.

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Pass Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$17,899	\$0	\$18,989
School Breakfast Program	05-PU-00	10.553	2,073	0	2,073	0
	05-PU-01		12,180	0	12,180	0
Total School Breakfast Program			14,253	0	14,253	0
National School Lunch Program	LL-P1-00	10.555	12,184	0	12,184	0
	LL-P4-00		3,157	0	3,157	0
	LL-P1-01		69,069	0	69,069	0
	LL-P4-01		17,101	0	17,101	0
Total National School Lunch Program			101,511	0	101,511	0
Special Milk Program	02-PU-00	10.556	11	0	11	0
	02-PU-01		131	0	131	0
Total Special Milk Program			142	0	142	0
Total Nutrition Cluster			115,906	17,899	115,906	18,989
<i>Total United States Department of Agriculture</i>			115,906	17,899	115,906	18,989
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Pass Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title 1)	C1-S1-00	84.010	0	0	100,640	0
	C1-SD-00		0	0	1,023	0
	C1-S1-00C		18,638	0	27,571	0
	C1-S1-01		322,720	0	271,048	0
	C1-SD-01		23,293	0	19,065	0
Total Grants to Local Educational Agencies			364,651	0	419,347	0
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99	84.027	0	0	39,254	0
	6B-SF-00P		154,843	0	92,856	0
Total Special Education Grants to States (IDEA Part B)			154,843	0	132,110	0
Special Education Preschool Grant	PG-S1-99	84.173	0	0	1,337	0
	PG-S1-00		12,538	0	10,332	0
Total Special Education Preschool Grant			12,538	0	11,669	0
Total Special Education Cluster:			167,381	0	143,779	0

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity	Federal CFDA		Noncash		Noncash
<u>Program Title</u>	<u>Number</u>	<u>Number</u>	<u>Receipts</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Disbursements</u>
UNITED STATES DEPARTMENT OF EDUCATION (Continued)						
Drug-Free School Grants	DR-S1-00	84.186	5,045	0	5,045	0
	DR-S1-01		7,132	0	7,132	0
Total Drug-Free School Grants			<u>12,177</u>	<u>0</u>	<u>12,177</u>	<u>0</u>
GOALS 2000 Program	G2-S1-00	84.276	0	0	4,252	0
	G2-S2-00		21,000	0	20,419	0
	G2-S1-01		8,579	0	5,579	0
	G2-S2-01		14,000	0	0	0
Total GOALS 2000 Program			<u>43,579</u>	<u>0</u>	<u>30,250</u>	<u>0</u>
Eisenhower Professional Development Grants	MS-S1-00	84.281	0	0	823	0
	MS-S1-01		9,370	0	3,195	0
Total Eisenhower Professional Development Grants			<u>9,370</u>	<u>0</u>	<u>4,018</u>	<u>0</u>
Innovative Education Program Strategies	C2-S1-01	84.298	8,511	0	8,437	0
	C2-S1-00		0	0	0	0
Total Innovative Education Program Strategies			<u>8,511</u>	<u>0</u>	<u>8,437</u>	<u>0</u>
Technology Literacy Challenge Fund Grants	TF-32-99	84.318	0	0	54	0
	TF-33-99		0	0	41,820	0
	TF-34-99		0	0	62,500	0
Total Technology Literacy Challenge Fund Grants			<u>0</u>	<u>0</u>	<u>104,374</u>	<u>0</u>
Reducing Class Size	CR-S1-01	84.340	54,408	0	54,408	0
<i>Total United States Department of Education</i>			<u>660,077</u>	<u>0</u>	<u>776,790</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$775,983</u>	<u>\$17,899</u>	<u>\$892,696</u>	<u>\$18,989</u>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the United States 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. At June 30, 2001, the School District had no significant food commodities in inventory.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Alexander Local School District
Athens County
6091 Ayers Road
Albany, Ohio 45710

To the Board of Education:

We have audited the general purpose financial statements of the Alexander Local School District, Athens County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 19, 2001, wherein we noted the School District adopted Governmental Accounting Standards Board Statements 33 and 36.. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated December 19, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated December 19, 2001.

Alexander Local School District
Athens County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, the management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 19, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Alexander Local School District
Athens County
6091 Ayers Road
Albany, Ohio 45710

To the Board of Education:

Compliance

We have audited the compliance of the Alexander Local School District, Athens County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, the management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 19, 2001

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

There were no findings related to the financial statements.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.



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ALEXANDER LOCAL SCHOOL DISTRICT

ATHENS 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
FEBRUARY 5, 2002**