



**Auditor of State
Betty Montgomery**

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, 2003, 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, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2003, on our consideration of the Career Center'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.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003

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ALEXANDER LOCAL SCHOOL DISTRICT
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$2,206,208	\$503,057	\$226,736	\$13,394,614
<i>Receivables:</i>				
Taxes	3,157,313	61,842	582,838	0
Accounts	9,011	0	0	0
Intergovernmental	2,761	209,961	0	1,747,041
Accrued Interest	0	0	0	11,689
Interfund	86,543	0	0	0
Prepaid Items	46,447	0	0	26,771
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	100,737	0	0	0
<i>Restricted Assets:</i>				
Cash and Cash Equivalents	348,259	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	<u>\$5,957,279</u>	<u>\$774,860</u>	<u>\$809,574</u>	<u>\$15,180,115</u>
<u>Liabilities, Fund Equity, and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$22,640	\$38,120	\$0	\$0
Contracts Payable	0	0	0	1,481,622
Accrued Wages and Benefits Payable	1,008,562	161,084	0	0
Compensated Absences Payable	0	0	0	0
Retainage Payable	0	0	0	431,138
Intergovernmental Payable	181,806	19,797	0	0
Interfund Payable	0	61,543	0	0
Deferred Revenue	3,026,884	94,356	558,308	1,747,041
Due to Students	0	0	0	0
Capital Leases 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	<u>4,239,892</u>	<u>374,900</u>	<u>558,308</u>	<u>3,659,801</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
<i>Retained Earnings:</i>				
Unreserved	0	0	0	0
<i>Fund Balance:</i>				
Reserved for Encumbrances	506,405	55,736	0	12,370,882
Reserved for Inventory	100,737	0	0	0
Reserved for Property Taxes	130,429	2,518	24,530	0
Reserved for Bus Purchase Allowance	252,896	0	0	0
Reserved for Statutory Set-Asides	95,363	0	0	0
<i>Unreserved:</i>				
Undesignated	631,557	341,706	226,736	(850,568)
Total Fund Equity and Other Credits	<u>1,717,387</u>	<u>399,960</u>	<u>251,266</u>	<u>11,520,314</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,957,279</u>	<u>\$774,860</u>	<u>\$809,574</u>	<u>\$15,180,115</u>

See accompanying notes to the general purpose financial statements.

<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			
\$48,918	\$56,083	\$0	\$0	\$16,435,616
0	0	0	0	3,801,993
2,531	110	0	0	11,652
9	0	0	0	1,959,772
0	0	0	0	11,689
0	0	0	0	86,543
0	0	0	0	73,218
9,944	0	0	0	9,944
7,089	0	0	0	107,826
0	0	0	0	348,259
97,512	0	20,258,293	0	20,355,805
0	0	0	251,266	251,266
0	0	0	7,820,786	7,820,786
<u>\$166,003</u>	<u>\$56,193</u>	<u>\$20,258,293</u>	<u>\$8,072,052</u>	<u>\$51,274,369</u>
\$406	\$6	\$0	\$0	\$61,172
0	0	0	0	1,481,622
31,566	0	0	0	1,201,212
12,882	0	0	632,605	645,487
0	0	0	0	431,138
13,888	21	0	88,219	303,731
25,000	0	0	0	86,543
4,772	0	0	0	5,431,361
0	56,166	0	0	56,166
0	0	0	74,508	74,508
0	0	0	211,000	211,000
0	0	0	85,720	85,720
0	0	0	6,980,000	6,980,000
<u>88,514</u>	<u>56,193</u>	<u>0</u>	<u>8,072,052</u>	<u>17,049,660</u>
0	0	20,258,293	0	20,258,293
77,489	0	0	0	77,489
0	0	0	0	12,933,023
0	0	0	0	100,737
0	0	0	0	157,477
0	0	0	0	252,896
0	0	0	0	95,363
0	0	0	0	349,431
<u>77,489</u>	<u>0</u>	<u>20,258,293</u>	<u>0</u>	<u>34,224,709</u>
<u>\$166,003</u>	<u>\$56,193</u>	<u>\$20,258,293</u>	<u>\$8,072,052</u>	<u>\$51,274,369</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, 2003

	GOVERNMENTAL FUND TYPES				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Taxes	\$3,009,839	\$61,839	\$561,130	\$0	\$3,632,808
Intergovernmental	7,664,006	1,493,119	31,078	7,406,649	16,594,852
Interest	32,524	156	0	401,203	433,883
Tuition and Fees	577,506	0	0	0	577,506
Extracurricular Activities	0	83,620	0	0	83,620
Gifts and Donations	0	42,233	0	0	42,233
Miscellaneous	62,995	39,774	0	20,146	122,915
Total Revenues	11,346,870	1,720,741	592,208	7,827,998	21,487,817
<u>Expenditures:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	4,171,457	642,387	0	0	4,813,844
Special	948,426	419,980	0	0	1,368,406
Vocational	370,289	0	0	0	370,289
Other	1,097,508	0	0	0	1,097,508
<i>Support Services:</i>					
Pupils	653,888	126,832	0	0	780,720
Instructional Staff	311,982	268,634	0	0	580,616
Board of Education	54,038	0	0	0	54,038
Administration	634,111	92,170	1,902	0	728,183
Fiscal	196,555	2,073	12,761	0	211,389
Operation and Maintenance of Plant	839,799	3,784	0	0	843,583
Pupil Transportation	858,154	670	0	0	858,824
Central	146,415	13,286	0	0	159,701
Extracurricular Activities	212,698	59,888	0	0	272,586
Capital Outlay	94,713	0	0	12,463,304	12,558,017
<i>Debt Service:</i>					
Principal Retirement	62,507	0	331,029	0	393,536
Interest and Fiscal Charges	7,973	0	363,571	0	371,544
Total Expenditures	10,660,513	1,629,704	709,263	12,463,304	25,462,784
Excess of Revenues Over (Under) Expenditures	686,357	91,037	(117,055)	(4,635,306)	(3,974,967)
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	417,810	0	144,769	0	562,579
Operating Transfers Out	(357,310)	0	0	(260,269)	(617,579)
Total Other Financing Sources (Uses)	60,500	0	144,769	(260,269)	(55,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	746,857	91,037	27,714	(4,895,575)	(4,029,967)
Fund Balances at Beginning of Year	971,199	310,940	223,552	16,415,889	17,921,580
Increase (Decrease) in Reserve for Inventory	(669)	(2,017)	0	0	(2,686)
Fund Balances at End of Year	\$1,717,387	\$399,960	\$251,266	\$11,520,314	\$13,888,927

See accompanying notes to the general purpose financial statements.

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, 2003

	GENERAL FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$3,027,506	\$3,072,984	\$45,478
Intergovernmental	7,664,006	7,664,006	0
Interest	32,196	32,524	328
Tuition and Fees	576,561	576,561	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	53,818	59,401	5,583
Total Revenues	11,354,087	11,405,476	51,389
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,580,108	4,132,217	447,891
Special	1,042,146	910,411	131,735
Vocational	398,654	366,195	32,459
Other	1,154,431	1,097,508	56,923
Support Services:			
Pupils	830,562	666,902	163,660
Instructional Staff	385,039	311,834	73,205
Board of Education	80,173	66,200	13,973
Administration	846,037	768,684	77,353
Fiscal	278,806	249,715	29,091
Operation and Maintenance of Plant	1,118,965	896,483	222,482
Pupil Transportation	1,161,877	1,043,260	118,617
Central	174,669	148,417	26,252
Extracurricular Activities	241,223	214,147	27,076
Capital Outlay	525,630	459,457	66,173
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	12,818,320	11,331,430	1,486,890
Excess of Revenues Over (Under) Expenditures	(1,464,233)	74,046	1,538,279
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	417,810	417,810	0
Advances In	0	130,000	130,000
Operating Transfers Out	(375,769)	(357,310)	18,459
Advances Out	0	(191,543)	(191,543)
Total Other Financing Sources (Uses)	42,041	(1,043)	(43,084)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,422,192)	73,003	1,495,195
Fund Balances at Beginning of Year	1,422,193	1,422,193	0
Prior Year Encumbrances Appropriated	330,841	330,841	0
Fund Balances at End of Year	\$330,842	\$1,826,037	\$1,495,195

See accompanying notes to the general purpose financial statements.

<i>SPECIAL REVENUE FUNDS</i>			<i>DEBT SERVICE FUND</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$59,320	\$59,320	\$0	\$577,940	\$577,940	\$0
1,582,295	1,364,096	(218,199)	31,078	31,078	0
136	156	20	0	0	0
0	0	0	0	0	0
85,375	83,620	(1,755)	0	0	0
43,063	42,233	(830)	0	0	0
39,924	39,774	(150)	0	0	0
<u>1,810,113</u>	<u>1,589,199</u>	<u>(220,914)</u>	<u>609,018</u>	<u>609,018</u>	<u>0</u>
765,532	652,999	112,533	0	0	0
527,065	413,597	113,468	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
134,079	128,746	5,333	0	0	0
340,403	274,773	65,630	0	0	0
0	0	0	0	0	0
162,912	100,456	62,456	2,967	1,902	1,065
134,515	2,073	132,442	17,142	12,761	4,381
59,284	9,284	50,000	0	0	0
670	670	0	0	0	0
14,000	14,000	0	0	0	0
69,527	61,899	7,628	0	0	0
0	0	0	0	0	0
0	0	0	552,319	331,029	221,290
0	0	0	363,571	363,571	0
<u>2,207,987</u>	<u>1,658,497</u>	<u>549,490</u>	<u>935,999</u>	<u>709,263</u>	<u>226,736</u>
(397,874)	(69,298)	328,576	(326,981)	(100,245)	226,736
0	0	0	144,769	144,769	0
0	191,543	191,543	0	0	0
0	0	0	0	0	0
0	(130,000)	(130,000)	0	0	0
<u>0</u>	<u>61,543</u>	<u>61,543</u>	<u>144,769</u>	<u>144,769</u>	<u>0</u>
(397,874)	(7,755)	390,119	(182,212)	44,524	226,736
378,979	378,979	0	182,212	182,212	0
37,976	37,976	0	0	0	0
<u>\$19,081</u>	<u>\$409,200</u>	<u>\$390,119</u>	<u>\$0</u>	<u>\$226,736</u>	<u>\$226,736</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, 2003

	CAPITAL PROJECTS FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	13,812,771	7,406,649	(6,406,122)
Interest	265,000	257,577	(7,423)
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	12,596	20,146	7,550
Total Revenues	14,090,367	7,684,372	(6,405,995)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Other	0	0	0
Support Services:			
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	25,642,449	23,277,395	2,365,054
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	25,642,449	23,277,395	2,365,054
Excess of Revenues Over (Under) Expenditures	(11,552,082)	(15,593,023)	(4,040,941)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	0	0
Advances In	0	0	0
Operating Transfers Out	(300,292)	(260,269)	40,023
Advances Out	0	0	0
Total Other Financing Sources (Uses)	(300,292)	(260,269)	40,023
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,852,374)	(15,853,292)	(4,000,918)
Fund Balances at Beginning of Year	11,848,757	11,848,757	0
Prior Year Encumbrances Appropriated	4,842,486	4,842,486	0
Fund Balances at End of Year	\$4,838,869	\$837,951	(\$4,000,918)

See accompanying notes to the general purpose financial statements.

TOTALS (MEMORANDUM ONLY)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,664,766	\$3,710,244	\$45,478
23,090,150	16,465,829	(6,624,321)
297,332	290,257	(7,075)
576,561	576,561	0
85,375	83,620	(1,755)
43,063	42,233	(830)
106,338	119,321	12,983
<u>27,863,585</u>	<u>21,288,065</u>	<u>(6,575,520)</u>
5,345,640	4,785,216	560,424
1,569,211	1,324,008	245,203
398,654	366,195	32,459
1,154,431	1,097,508	56,923
964,641	795,648	168,993
725,442	586,607	138,835
80,173	66,200	13,973
1,011,916	871,042	140,874
430,463	264,549	165,914
1,178,249	905,767	272,482
1,162,547	1,043,930	118,617
188,669	162,417	26,252
310,750	276,046	34,704
26,168,079	23,736,852	2,431,227
552,319	331,029	221,290
363,571	363,571	0
<u>41,604,755</u>	<u>36,976,585</u>	<u>4,628,170</u>
(13,741,170)	(15,688,520)	(1,947,350)
562,579	562,579	0
0	321,543	321,543
(676,061)	(617,579)	58,482
0	(321,543)	(321,543)
<u>(113,482)</u>	<u>(55,000)</u>	<u>58,482</u>
(13,854,652)	(15,743,520)	(1,888,868)
13,832,141	13,832,141	0
5,211,303	5,211,303	0
<u>\$5,188,792</u>	<u>\$3,299,924</u>	<u>(\$1,888,868)</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, 2003

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$238,091
<i>Total Operating Revenues</i>	238,091
<u>Operating Expenses:</u>	
Salaries	160,470
Fringe Benefits	80,212
Material and Supplies	39,506
Cost of Sales	181,911
Depreciation	1,830
Other Operating Expenses	64
<i>Total Operating Expenses</i>	463,993
Operating Income (Loss)	(225,902)
<u>Nonoperating Revenues:</u>	
Federal Donated Commodities	31,108
Interest Income	28
Federal and State Subsidies	139,486
<i>Total Nonoperating Revenues</i>	170,622
Income (Loss) Before Operating Transfers	(55,280)
Operating Transfers In	55,000
Net Income (Loss)	(280)
Retained Earnings at Beginning of Year	77,769
Retained Earnings at End of Year	\$77,489

See accompanying notes to the general purpose financial statements.

ALEXANDER LOCAL SCHOOL DISTRICT
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$235,795
Cash Payments to Suppliers for Goods and Services	(193,740)
Cash Payments to Employees for Services	(155,647)
Cash Payments for Employee Benefits	(78,738)
Cash Payments for Other Operating Expenses	(64)
<i>Net Cash from Operating Activities</i>	(192,394)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	139,536
Transfers In from Other Funds	55,000
<i>Net Cash from Noncapital Financing Activities</i>	194,536
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	28
<i>Net Cash from Investing Activities</i>	28
Net Increase (Decrease) in Cash and Cash Equivalents	2,170
Cash and Cash Equivalents at Beginning of Year	46,748
Cash and Cash Equivalents at End of Year	\$48,918
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash from Operating Activities:</u>	
Operating Income (Loss)	(\$225,902)
<u>Adjustments to Reconcile Operating Income (Loss)</u>	
<u>to Net Cash from Operating Activities:</u>	
Depreciation	1,830
Donated Commodities Used During Year	31,108
<u>Changes in Assets and Liabilities:</u>	
(Increase) Decrease in Accounts Receivable	(2,296)
(Increase) Decrease in Inventory Held for Resale	1,769
(Increase) Decrease in Materials and Supplies Inventory	(5,972)
Increase (Decrease) in Accounts Payable	406
Increase (Decrease) in Accrued Wages and Benefits Payable	3,801
Increase (Decrease) in Compensated Absences Payable	1,022
Increase (Decrease) in Intergovernmental Payable	1,474
Increase (Decrease) in Deferred Revenue	366
Total Adjustments	33,508
Net Cash from Operating Activities	(\$192,394)

See accompanying notes to the general purpose financial statements.

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ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 82 classified and 125 teaching personnel and 6 administrative employees providing education to approximately 1,651 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 Southeastern Ohio Special Education Regional Resource Center, 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 18, 19 and 20 to the general purpose financial statements.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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, 2003

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, 2003

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

The modified accrual basis of accounting is followed for governmental and agency funds. The full accrual basis of accounting is followed for proprietary funds.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available as an advance, grants, tuition and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported 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 governmental funds.

The accrual basis of accounting is utilized for reporting purposes by 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.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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 fund level. 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.

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 2003.

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 level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation resolution, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, seven 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.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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 2003, 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.

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, 2003.

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 2003 amounted to \$32,524, which includes \$19,392 assigned from other District funds. In addition, the Auxiliary Services Special Revenue Fund, the School Facilities Capital Projects Fund and the Food Service Enterprise Fund received \$156, \$401,203 and \$28, 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, 2003 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.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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.

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.

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, 2003

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.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 3 - 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 \$55,000 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	\$746,857	\$91,037	\$27,714	(\$4,895,575)
<i>Adjustments:</i>				
Revenue Accruals	58,606	(131,542)	16,810	(143,626)
Expenditure Accruals	(670,917)	(28,793)	0	(10,814,091)
Other Sources (Uses)	(61,543)	61,543	0	0
Budget Basis	\$73,003	(\$7,755)	\$44,524	(\$15,853,292)

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Fund Deficit

Fund balances at June 30, 2003 included the following individual fund deficit:

<i>Special Revenue Funds:</i>	
Dwight D. Eisenhower Grant	\$156

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.

NOTE 5 - 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.

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;

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

- (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 \$3,154,330, and the bank balance was \$3,618,320. 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.

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 STAROhio, 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.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

	Category 3	Carrying Value	Fair Value
U. S. Government Agency Securities	\$7,976,774	\$7,976,774	\$7,976,774
STAROhio	--	5,652,771	5,652,771
Totals	<u>\$7,976,774</u>	<u>\$13,629,545</u>	<u>\$13,629,545</u>

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 No. 9	\$16,783,875	\$0
<i>Investments:</i>		
U. S. Government Agency Securities	(7,976,774)	7,976,774
STAROhio	(5,652,771)	5,652,771
GASB Statement No. 3	<u>\$3,154,330</u>	<u>\$13,629,545</u>

NOTE 6 - 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, 2003

NOTE 6 - 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, 2003 are available to finance fiscal year 2003 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, 2003. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30, 2003 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 amounts available as an advance at June 30, 2003 were \$130,429 for the General Fund, \$2,518 for the Classroom Facilities Maintenance Special Revenue Fund and \$24,530 for the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$90,555,680	73.70%	\$94,553,380	73.58%
Public Utility Personal	24,389,340	19.80%	24,293,750	18.91%
Tangible Personal Property	7,868,509	6.50%	9,656,095	7.51%
Total Assessed Value	<u>\$122,813,529</u>	<u>100.00%</u>	<u>\$128,503,225</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$42.06		\$42.06

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 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>General Fund:</i>	
Excess Cost Reimbursements	\$2,142
Other Reimbursements	619
<i>Total General Fund</i>	2,761
<i>Special Revenue Funds:</i>	
Title VI-B Grant	47,022
Safe & Drug Free Schools	50
Handicapped Preschool	5,437
Title VI-R Grant	28,399
Title I Grant	129,053
<i>Total Special Revenue Funds</i>	209,961
<i>Capital Projects Funds:</i>	
School Facilities Commission	1,747,041
<i>Enterprise Fund:</i>	
Federal & State Subsidies	9
Total Intergovernmental Receivables	\$1,959,772

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 8 - FIXED ASSETS

A summary of the Enterprise Funds' fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$208,672
Less: Accumulated Depreciation	(111,160)
Net Fixed Assets	\$97,512

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at July 1, 2002	Transfer/ Additions	Transfer/ Deletions	Balance at June 30, 2003
Land	\$332,425	\$0	\$0	\$332,425
Buildings and Improvements	3,483,640	0	0	3,483,640
Improvements Other than Buildings	480,081	0	0	480,081
Furniture and Equipment	2,531,666	133,801	61,196	2,604,271
Vehicles	2,028,128	0	0	2,028,128
Sewage Plant Facility	16,640	0	0	16,640
Construction In Progress	2,183,665	12,927,251	0	15,110,916
Totals	\$11,056,245	\$13,061,052	\$61,196	24,056,101
Less: Accumulated Depreciation				(3,797,808)
Net Fixed Assets				\$20,258,293

At June 30, 2003, general fixed assets include \$299,574 of buildings and improvements under capitalized leases.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - 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 2003, the District contracted with Indiana Insurance Company for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$23,679,344
Inland Marine Coverage (\$100 deductible)	\$39,860
Musical Instruments (\$250 deductible)	\$141,322
Automobile Liability (\$100 deductible) - Single Limit	\$1,000,000
Uninsured Motorists (\$100 deductible):	
Per Person	\$1,000,000
Per Accident	\$1,000,000
Under Insured Motorist:	
Per Person	\$1,000,000
Per Accident	\$1,000,000
General Liability:	
Per Occurrence	\$1,000,000
Total Per Year	\$2,000,000
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 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 20). 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, 2003

NOTE 10 - 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 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 2002 (the latest information year available), 5.46 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, 2003, 2002, and 2001 were \$88,115, \$57,803, and \$57,088, respectively; 58.92 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$36,197 representing the unpaid contribution for fiscal year 2003, 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 2003, 13 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, 2003, 2002, and 2001 were \$688,363, \$501,567, and \$480,288, respectively; 84.56 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$106,305 representing the unpaid contribution for fiscal year 2003, 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, 2003, two 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, 2003

NOTE 11 - 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 2003, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$52,951 during fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 billion at June 30, 2002 (the latest information year available). For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay has been established at \$14,500. 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, 2002 (the latest information year available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 (the latest information year available), SERS had net assets available for payment of health care benefits of \$335.2 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 \$152,188 during the 2003 fiscal year.

NOTE 12 - 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, 2003

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

The amount of accumulated vacation and sick leave of employees paid from governmental funds is 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, there were no current unpaid compensated absences at June 30, 2003. However, there were noncurrent unpaid compensated absences for governmental funds of \$632,605 that are reported as a liability in the General Long-Term Obligations Account Group. The liability for compensated absences in the Enterprise Funds' was \$12,882 at June 30, 2003.

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 18 for more information concerning the Athens County School Employee Health and Welfare Benefit Association.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during the 2003 fiscal year were as follows:

	Maturity Date	Interest Rate	Principal Outstanding at July 1, 2002	Additions	Deletions	Principal Outstanding at June 30, 2003
Compensated Absences	N/A	N/A	\$614,067	\$18,538	\$0	\$632,605
Intergovernmental Payable	N/A	N/A	80,226	88,219	80,226	88,219
Capital Leases Payable	5/10/05	7.69%	137,015	0	62,507	74,508
Property Tax Refund Payable	2002	N/A	54,018	0	54,018	0
Energy Conservation Loan	9/1/02	4.90%	75,000	0	75,000	0
Energy Conservation Loan	12/1/06	6.00%	258,000	0	47,000	211,000
Asbestos Removal Loan	5/30/13	N/A	94,749	0	9,029	85,720
General Obligation Bonds	12/1/23	3.50 -5.60%	7,180,000	0	200,000	6,980,000
Total General Long-Term Obligations			<u>\$8,493,075</u>	<u>\$106,757</u>	<u>\$527,780</u>	<u>\$8,072,052</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 and intergovernmental 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, 2003

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The District's voted legal debt margin was \$4,812,026 with an unvoted debt margin of \$128,503 at June 30, 2003.

Principal and interest requirements to retire the property tax refund, energy conservation loans, asbestos removal loan and general obligation bonds at June 30, 2003 are as follows:

Year Ending June 30	Energy Conservation Loan	Asbestos Removal Loan	General Obligation Bonds
2004	\$58,138	\$9,029	\$547,439
2005	57,688	9,029	549,508
2006	58,116	9,029	550,925
2007	58,397	9,029	546,766
2008	0	9,029	547,011
2009-2013	0	40,575	2,733,811
2014-2018	0	0	2,703,441
2019-2023	0	0	2,675,480
2024	0	0	528,197
Total Principal & Interest	232,339	85,720	11,382,578
Less: Interest	21,339	0	4,402,578
Total Principal	<u>\$211,000</u>	<u>\$85,720</u>	<u>\$6,980,000</u>

NOTE 14 - 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, 2003

NOTE 14 - 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 \$299,574. 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 2003 totaled \$62,507 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, 2003.

Fiscal Year Ending June 30	General Long-Term Obligations Account Group
2004	\$40,612
2005	36,047
2006	3,924
Total	80,583
Less: Amount Representing Interest	(6,075)
Present Value of Net Minimum Lease Payments	\$74,508

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
<i>General Fund</i>	\$86,543	\$0
<i>Special Revenue Funds:</i>		
Title VI-B Grant	0	15,000
Title I Grant	0	15,000
Safe & Drug Free Schools	0	8,947
Handicapped Preschool	0	2,000
Title VI-R Grant	0	20,000
Misc. Federal Grants	0	596
Total Special Revenue Funds	0	61,543
<i>Enterprise Funds:</i>		
Food Service	0	25,000
Total	\$86,543	\$86,543

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 - STATUTORY SET ASIDES

The following changes occurred in the District's set aside reserve accounts during fiscal year 2003:

	Textbooks	Capital Improvements	Totals
Set Aside Balance as of July 1, 2002	\$50,491	\$4,779	\$55,270
Current Year Set Aside Requirement	218,272	218,272	436,544
Current Year Offset	0	(59,320)	(59,320)
Qualifying Disbursements	(173,400)	(240,375)	(413,775)
Total	95,363	(76,644)	18,719
Set Aside Balance as of June 30, 2003	<u>\$95,363</u>	<u>\$0</u>	
Total Restricted Assets			<u>\$95,363</u>

Qualifying disbursements in excess of current year or accumulated set-aside requirements for textbooks may be used to reduce set-aside requirements of future years. Actual cash balances in excess of set-aside requirements for both textbooks and capital improvements may be used to offset set-aside requirements of future years.

NOTE 17 - 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, 2003.

	Food Service	Uniform School Supplies	Total Enterprise
Operating Revenues	\$200,905	\$37,186	\$238,091
Operating Expenses Less Depreciation	435,910	26,253	462,163
Depreciation Expense	1,830	0	1,830
Operating Income (Loss)	(236,835)	10,933	(225,902)
Donated Commodities	31,108	0	31,108
Operating Grants	139,486	0	139,486
Operating Transfers In	55,000	0	55,000
Net Income (Loss)	(11,213)	10,933	(280)
Net Working Capital	(47,233)	52,201	4,968
Total Assets	113,396	52,607	166,003
Total Liabilities	88,108	406	88,514
Total Equity	25,288	52,201	77,489

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Southeastern Ohio Voluntary Education Cooperative

Southeast Ohio Voluntary Education Consortium (SEOVEC), 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 \$17,201 in fiscal year 2003.

Southeastern Ohio Special Education Regional Resource Center

The Southeastern Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Alexander Local School District's Superintendent is an alternate on the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

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 2003, 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.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 19 - 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.

NOTE 20 - 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 21 - SCHOOL FUNDING DECISION

On December 11, 2002 the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is through and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations

NOTE 22 - 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, 2003.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 23 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District had \$26,235,716 in contractual commitments for the renovation of an existing building and the construction of a new Kindergarten through Grade 12 building. Of this amount, \$15,110,916 had been expended leaving a balance owed by the District on these contractual commitments of \$11,124,800.

Contractor	Purpose	Contract Amount	Amount Expended	Balance
Fanning/Howey	Architect	\$1,549,345	\$1,282,861	\$266,484
Willard Cumbo	Site Work	78,332	73,700	4,632
Gandee & Associates	Asbestos Abatement	21,000	21,000	0
George Igel & Co.	Site Work	1,181,504	1,035,600	145,904
Quandell Group	Construction Manager	1,371,000	797,825	573,175
LEPI Industries	Asbestos Abatement	206,257	10,580	195,677
RWS Building Co.	General Trades	12,151,805	7,741,934	4,409,871
Commercial Windows & Doors	Windows/Doors	485,761	173,439	312,322
Louis R. Polster	Food Service Equip.	435,177	66,654	368,523
Custom Fabricators	Casework	1,144,651	40,130	1,104,521
Mechanical Construction	Plumbing/HVAC	4,116,209	2,109,853	2,006,356
AmPam Inc.	Fire Protection	342,273	159,740	182,533
Accurate Electric	Electrical	3,152,402	1,597,600	1,554,802
Total		<u>\$26,235,716</u>	<u>\$15,110,916</u>	<u>\$11,124,800</u>

NOTE 24 - NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus," and Statement No. 38, "Certain Financial Statement Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements are effective for the District's year ending June 30, 2004. The District has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 31,108	\$	\$ 31,108
School Breakfast Program	10.553	05-PU-02 05-PU-03	2,931 <u>10,802</u>		2,931 <u>10,802</u>	
Total School Breakfast Program			<u>13,733</u>	0	<u>13,733</u>	0
National School Lunch Program	10.555	LL-P4-02 LL-P4-03	18,359 <u>98,849</u>		18,359 <u>98,849</u>	
Total National School Lunch Program			<u>117,208</u>	0	<u>117,208</u>	0
Total Nutrition Cluster			<u>130,941</u>	<u>31,108</u>	<u>130,941</u>	<u>31,108</u>
Total United States Department of Agriculture			130,941	31,108	130,941	31,108
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-02 C1-S1-03 C1-SD-03	320,101 <u>42,038</u>		67,026 333,680 <u>36,655</u>	
Total Title I Grants to Local Educational Agencies			<u>362,139</u>	0	<u>437,361</u>	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF-01 6B-SF-03-P	25,637 <u>166,716</u>		32,698 <u>166,929</u>	
Total Special Education - Grants to States			<u>192,353</u>	0	<u>199,627</u>	0
Special Education - Preschool Grants	84.173	PG-S1-02 PG-S1-03-P	7,508 <u>7,508</u>		3,703 <u>8,690</u>	
Total Special Education - Preschool Grants			<u>7,508</u>	0	<u>12,393</u>	0
Total Special Education Cluster			199,861	0	212,020	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-03	11,080		10,950	
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S2-00 G2-S1-01 G2-S2-01	(581) <u>(581)</u>		2,213 <u>2,445</u>	
Total Goals 2000 - State and Local Education Systemic Improvement Grant			<u>(581)</u>	0	<u>4,658</u>	0
Innovative Education Program Strategies	84.298	C2-S1-03	10,898		10,466	
Technology State Formula Grants	84.318	TJ-S1-03	10,745		10,745	
Comprehensive School Reform Grant	84.332	RF-S1-02	64,968		27,706	
School Renovation Grant	84.352A	AT-S3-02	18,773		17,652	
Improving Teacher Quality - Title II-A	84.367	TR-S1-03	<u>78,408</u>		<u>90,007</u>	
Total United States Department of Education			<u>756,291</u>	0	<u>821,565</u>	0
Total Federal Awards Receipts and Expenditures			<u>\$887,232</u>	<u>\$31,108</u>	<u>\$952,506</u>	<u>\$31,108</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 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – UNEXPENDED FUNDS

The School District returned \$581 of Goals 2000 – State and Local Education Systemic Improvement Grants (CFDA #84.276) monies to the Ohio Department of Education. This refund is reflected as a negative receipt on the accompanying Schedule.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 accompanying general purpose financial statements of the Alexander Local School District, Athens County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 8, 2003. 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 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 general purpose 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 a certain immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated December 8, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 general purpose 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 8, 2003.

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www.auditor.state.oh.us

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

This report is intended solely for the information and use of the audit committee, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 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 each of its major federal programs for the year ended June 30, 2003. The 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 District's management. Our responsibility is to express an opinion on the 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 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 District's compliance with those requirements.

In our opinion, the 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, 2003.

Internal Control Over Compliance

The management of the 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 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.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 8, 2003

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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 10, 2004**