



**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 District Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexander Local School District, Athens County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Alexander Local School District, Athens County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic 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

April 18, 2005

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

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The discussion and analysis of the Alexander Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

- ▶ The assets of Alexander Local School District exceeded its liabilities at June 30, 2004 by \$28,760,932. This balance was comprised of a \$27,933,372 balance in capital assets, net of related debt and net asset amounts restricted for specific purposes, and a balance of \$827,560 unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$1,036,209, which represents a 3.74 percent increase from 2003.
- ▶ General revenues accounted for \$12,763,804 or 78.04 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,579,804 or 21.90 percent of total revenues of \$16,343,608.
- ▶ The District had \$15,307,399 in expenses related to governmental activities; \$3,579,804 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$12,763,804 were used to provide for these programs.
- ▶ The District recognizes two major governmental funds: the General and Ohio School Facilities Construction Project Funds. In terms of dollars received and spent, the General Fund is larger than any of the other funds of the District. The General Fund had \$12,543,070 in revenues and \$12,231,181 in expenditures in fiscal year 2004.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Alexander Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

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This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

## **Reporting the District as a Whole**

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some item that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

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

### **Fund Financial Statements**

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General and Ohio School Facilities Construction Project Funds.



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2004*

*(Unaudited)*

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A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: Governmental and Fiduciary Funds.

**Governmental Funds**

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Fiduciary Funds**

The District's only Fiduciary Fund is an Agency Fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary Funds use the accrual basis of accounting.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-Wide Financial Analysis**

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2004 compared to fiscal year 2003:

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

Table 1  
**Net Assets at Year End**

	<b><u>Governmental Activities</u></b>	
	2004	2003
<b><u>Assets:</u></b>		
Current and Other Assets	\$10,576,074	\$22,703,777
Capital Assets, Net	31,525,082	19,987,174
<i>Total Assets</i>	42,101,156	42,690,951
<b><u>Liabilities:</u></b>		
Long-Term Liabilities	7,744,155	7,983,833
Other Liabilities	5,596,069	6,983,395
<i>Total Liabilities</i>	13,340,224	14,966,228
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	24,711,833	12,932,665
Restricted	3,221,539	13,556,317
Unrestricted	827,560	1,235,741
<i>Total Net Assets</i>	\$28,760,932	\$27,724,723

Current and other assets decreased \$12,127,703 from fiscal year 2003 due to a decrease in cash and cash equivalents that was used toward the construction of the new school facilities. Capital assets increased by \$11,537,908 as a result of the construction of the new school facilities.

Current (other) liabilities decreased \$1,387,326 due primarily to a decrease in deferred revenue related to an intergovernmental receivable on the new school facilities grant.

Long-term liabilities decreased \$239,678 due to scheduled payments made on the District's debt outstanding.

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's smallest portion of net assets is unrestricted. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

The remaining balance of \$3,221,539 is restricted assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2004 since this is the first year the District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available.

Table 2  
**Changes in Net Assets**

	Governmental Activities 2004
<b><u>Revenues:</u></b>	
<i>Program Revenue:</i>	
Charges for Services and Sales	\$863,157
Operating Grants and Contributions	2,688,597
Capital Grants and Contributions	28,050
<i>General Revenue:</i>	
Property Tax	3,978,274
Unrestricted Grants and Entitlements	8,801,210
Investment Earnings	(71,131)
Miscellaneous	55,451
<i>Total Revenues</i>	16,343,608
<b><u>Expenses:</u></b>	
<i>Program Expenses:</i>	
<i>Instruction:</i>	
Regular	6,020,843
Special	1,556,805
Vocational	346,315
Other	1,350,123

(Continued)

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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Table 2  
**Changes in Net Assets**

	2004
<i>Support Services:</i>	
Pupil	732,285
Instructional Staff	712,009
Board of Education	42,937
Administration	909,289
Fiscal	256,207
Operation and Maintenance of Plant	981,394
Pupil Transportation	1,082,351
Central	130,535
<i>Operation of Non-Instructional Services:</i>	
Food Service	507,422
Other	788
Extracurricular Activities	321,962
Interest and Fiscal Charges	356,134
<i>Total Expenses</i>	15,307,399
<i>Change in Net Assets</i>	1,036,209
Net Assets – Beginning of Year	27,724,723
Net Assets – End of Year	\$28,760,932

The most significant program expenses for the District are Regular Instruction, Special Instruction, Other Instruction, Operation and Maintenance of Plant, and Pupil Transportation. These programs account for 71.80 percent of the total governmental activities. Regular Instruction, which accounts for 39.33 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 10.17 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Other Instruction, which represents 8.82 percent of the total, represents costs associated with the instruction of students that cannot be defined as regular, special or vocational instruction. Operation and Maintenance of Plant, which represents 6.41 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Pupil Transportation, which represents 7.07 percent of the total cost, represents costs associated with transporting students to and from school, as well as to activities.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 78.19 percent of total revenues.

**Governmental Activities**

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 24.34 percent and intergovernmental revenue made up 70.41 percent of the total revenue for the governmental activities in fiscal year 2004.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2004, the District received \$8,571,123 through the State's foundation program, which represents 52.40 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 60.59 percent of governmental program expenses. Support services expenses make up 31.66 percent of governmental expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to fiscal year 2003 are not available.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

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Table 3  
**Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services
	2004	2004
<i>Program Expenses:</i>		
Instruction	\$9,274,086	\$6,848,274
Support Services	4,847,007	4,134,727
Operation of Non-Instructional Services	508,210	156,353
Extracurricular Activities	321,962	232,107
Interest and Fiscal Charges	356,134	356,134
Total Expenses	\$15,307,399	\$11,727,595

**The District's Funds**

The District's Governmental Funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All Governmental Funds had total revenues of \$18,072,062 and total expenditures of \$27,034,263.

Total Governmental Funds fund balance decreased by \$8,958,427. The decrease in fund balance for the year was most significant in the Ohio School Facilities Construction Project Fund, where a decrease of \$8,776,914 occurred as a result of the construction work being performed on the new school facilities during fiscal year 2004.

The District should remain stable in fiscal years 2005 through 2007. However, projections beyond fiscal year 2007 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

**Budget Highlights - General Fund**

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

During the course of fiscal year 2004, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management. The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

For the General Fund, the final budget basis revenue was \$12,559,702 representing a \$561,355 increase from the original budget estimates of \$11,998,347. The final budget reflected a 4.68 percent increase from the original budgeted amount. This difference was due to the fact that actual funding was more than originally anticipated, therefore revenue estimates were increased throughout the year. For the General Fund, the final budget basis expenditures were \$13,320,466 representing a decrease of \$276,400 from the original budget expenditures of \$13,596,866. The final budget reflected a 2.03 percent decrease from the original budgeted amount. Most of the decrease is due to the effort by the District to control spending.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2004, the District had \$35.9 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$4.4 million. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003.

Table 4  
**Capital Assets & Accumulated Depreciation at Year End**

	<u>Governmental Activities</u>	
	2004	2003
<i>Nondepreciable Capital Assets:</i>		
Land	\$332,425	\$332,425
Construction in Progress	26,754,815	15,110,916
<i>Depreciable Capital Assets:</i>		
Buildings and Improvements	3,963,721	3,963,721
Furniture, Fixtures and Equipment	2,957,647	2,812,943
Vehicles	1,925,978	2,028,128
Sewage Plant Facility	16,640	16,640
<i>Total Capital Assets</i>	35,950,826	24,264,773
<i>Less Accumulated Depreciation:</i>		
Buildings and Improvements	2,299,043	2,227,281
Furniture, Fixtures and Equipment	1,373,009	1,232,948
Vehicles	737,052	800,730
Sewage Plant Facility	16,640	16,640
<i>Total Accumulated Depreciation</i>	4,425,744	4,277,599
Capital Assets, Net	\$31,525,082	\$19,987,174

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

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More detailed information pertaining to the District's capital asset activity can be found in the notes to the basic financial statements.

**Debt Administration**

At June 30, 2004, the District had \$7,013,691 in general obligation debt outstanding with \$275,029 due within one year. Table 5 summarizes loans and bonds outstanding for fiscal year 2004 compared to fiscal year 2003.

Table 5  
**Outstanding Debt, Governmental Activities at Year End**

Purpose	2004	2003
Energy Conservation Loan	\$162,000	\$211,000
Asbestos Removal Loan	76,691	85,720
General Obligation Bonds	6,775,000	6,980,000
Total	<u>\$7,013,691</u>	<u>\$7,276,720</u>

More detailed information pertaining to the District's long-term debt activity can be found in the notes to the basic financial statements.

**Current Issues**

Although considered a mid-wealth district, Alexander Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

As indicated in the preceding financial information, the District relies on the State's foundation program for nearly half of their funding. In the spring of 2003, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2003 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court will have two new Justices beginning in calendar year 2004 and the new court may be called upon to address the issue. At this time there can be no reasonable estimate of the decision or its impact on school funding.

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



**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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The State Legislature has also made several significant changes impacting local taxes:

In 2004 the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

Effective January 1, 2001 non-municipal owned electric utilities and rural cop-ops were deregulated in the State of Ohio. All electric company personal property were reduced from 100 percent assessed value (from 50 percent for rural co-ops) to 25 percent. (Distribution and transmission of personal property will continue to be assessed at 88 percent.) This significantly reduced revenues to certain school districts and moderately affects others.

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced from 2003 through 2006; after this a phase out formula would begin.

The District does not anticipate any meaningful growth or loss in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 75.51 percent of the District's real estate valuation.

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact the Treasurer of the Alexander Local School Board of Education, 6091 Ayers Road, Albany, Ohio 45710.

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**ALEXANDER LOCAL SCHOOL DISTRICT**

*Statement of Net Assets*

*June 30, 2004*

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$6,714,491
Property Taxes Receivable	3,613,915
Accounts Receivable	4,770
Intergovernmental Receivable	96,862
Accrued Interest Receivable	1,077
Prepaid Items	44,212
Inventory Held for Resale	7,916
Materials and Supplies Inventory	92,831
Non-Depreciable Capital Assets	27,087,240
Depreciable Capital Assets, Net	4,437,842
	<hr/>
<i>Total Assets</i>	42,101,156
	<hr/>
<b><u>Liabilities:</u></b>	
Accounts Payable	21,573
Accrued Wages and Benefits	1,195,634
Contracts Payable	396,400
Retainage Payable	399,227
Intergovernmental Payable	448,297
Accrued Interest Payable	20,724
Deferred Revenue	3,114,214
<i>Long-Term Liabilities:</i>	
Due within One Year	374,846
Due in More Than One Year	7,369,309
	<hr/>
<i>Total Liabilities</i>	13,340,224
	<hr/>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	24,711,833
<i>Restricted for:</i>	
Capital Projects	2,748,209
Debt Service	173,679
Other Purposes	299,651
Unrestricted	827,560
	<hr/>
<i>Total Net Assets</i>	\$28,760,932
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See accompanying notes to the basic financial statements.

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**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>					
<i>Instruction:</i>					
Regular	\$6,020,843	\$605,905	\$ 757,682	\$28,050	(\$4,629,206)
Special	1,556,805	0	1,001,519	0	(555,286)
Vocational	346,315	1,445	31,211	0	(313,659)
Other	1,350,123	0	0	0	(1,350,123)
<i>Support Services:</i>					
Pupils	732,285	0	24,307	0	(707,978)
Instructional Staff	712,009	0	517,869	0	(194,140)
Board of Education	42,937	0	0	0	(42,937)
Administration	909,289	19,302	66,744	0	(823,243)
Fiscal	256,207	0	1,927	0	(254,280)
Operation and Maintenance of Plant	981,394	0	12,769	0	(968,625)
Pupil Transportation	1,082,351	0	57,362	0	(1,024,989)
Central	130,535	0	12,000	0	(118,535)
<i>Operation of Non-Instructional Services:</i>					
Food Service	507,422	169,810	180,167	0	(157,445)
Other	788	0	1,880	0	1,092
Extracurricular Activities	321,962	66,695	23,160	0	(232,107)
<i>Debt Service:</i>					
Interest and Fiscal Charges	356,134	0	0	0	(356,134)
<b>Totals</b>	<b>\$15,307,399</b>	<b>\$863,157</b>	<b>\$2,688,597</b>	<b>\$28,050</b>	<b>(11,727,595)</b>
<b><u>General Revenues:</u></b>					
<i>Property Taxes Levied for:</i>					
General Purposes					3,344,460
Debt Service					633,814
Grants and Entitlements not Restricted to Specific Programs					8,801,210
Investment Earnings					(71,131)
Miscellaneous					55,451
<b>Total General Revenues</b>					<b>12,763,804</b>
Change in Net Assets					1,036,209
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>					<u>27,724,723</u>
<i>Net Assets at End of Year</i>					<u><u>\$28,760,932</u></u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Balance Sheet  
Governmental Funds  
June 30, 2004*

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,023,836	\$3,537,950	\$976,453	\$6,538,239
Property Taxes Receivable	2,983,291	0	630,624	3,613,915
Accounts Receivable	1,553	0	3,217	4,770
Intergovernmental Receivable	2,311	0	94,551	96,862
Accrued Interest Receivable	0	1,077	0	1,077
Interfund Receivable	25,000	0	0	25,000
Prepaid Items	44,212	0	0	44,212
Inventory Held for Resale	0	0	7,916	7,916
Materials and Supplies Inventory	86,369	0	6,462	92,831
<b><u>Restricted Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	176,252	0	0	176,252
<b>Total Assets</b>	<b>\$5,342,824</b>	<b>\$3,539,027</b>	<b>\$1,719,223</b>	<b>\$10,601,074</b>
<b><u>Liabilities and Fund Balances:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$21,242	\$0	\$331	\$21,573
Accrued Wages and Benefits	1,002,087	0	193,547	1,195,634
Contracts Payable	0	396,400	0	396,400
Retainage Payable	0	399,227	0	399,227
Intergovernmental Payable	197,751	0	51,995	249,746
Interfund Payable	0	0	25,000	25,000
Deferred Revenue	2,758,186	0	598,287	3,356,473
Compensated Absences Payable	46,543	0	0	46,543
<b>Total Liabilities</b>	<b>4,025,809</b>	<b>795,627</b>	<b>869,160</b>	<b>5,690,596</b>
<b><u>Fund Balances:</u></b>				
Reserved for Encumbrances	180,294	1,984,093	37,674	2,202,061
Reserved for Property Taxes	225,105	0	47,647	272,752
Reserved for Set Asides	139,428	0	0	139,428
Reserved for Bus Purchases	36,824	0	0	36,824
<b><u>Unreserved, Undesignated, Reported in:</u></b>				
General Fund	735,364	0	0	735,364
Special Revenue Funds	0	0	432,467	432,467
Debt Service Fund	0	0	329,096	329,096
Capital Projects Funds	0	759,307	3,179	762,486
<b>Total Fund Balances</b>	<b>1,317,015</b>	<b>2,743,400</b>	<b>850,063</b>	<b>4,910,478</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$5,342,824</b>	<b>\$3,539,027</b>	<b>\$1,719,223</b>	<b>\$10,601,074</b>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2004*

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Total Governmental Funds Balances		\$4,910,478
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		31,525,082
Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property taxes	226,949	
Intergovernmental	<u>15,310</u>	
Total receivables deferred in the funds		242,259
Intergovernmental payables include contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(198,551)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Energy conservation loan	(162,000)	
Asbestos removal loan	(76,691)	
General obligation bonds	(6,775,000)	
Accrued interest on loans and bonds	(20,724)	
Capital leases	(38,248)	
Compensated absences	<u>(645,673)</u>	
Total liabilities that are not reported in the funds		<u>(7,718,336)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$28,760,932</u></u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Ohio School Facilities Construction Project	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$3,251,231	\$	\$688,734	\$3,939,965
Intergovernmental	8,661,241	2,687,906	1,884,506	13,233,653
Interest	18,839	95,756	55	114,650
Decrease in Fair Value of Investments	0	(185,781)	0	(185,781)
Tuition and Fees	573,031	0	33,544	606,575
Extracurricular Activities	0	0	85,997	85,997
Charges for Services	0	0	169,810	169,810
Gifts and Donations	10,400	0	40,567	50,967
Miscellaneous	28,328	0	27,898	56,226
<i>Total Revenues</i>	<u>12,543,070</u>	<u>2,597,881</u>	<u>2,931,111</u>	<u>18,072,062</u>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,556,843	0	726,103	5,282,946
Special	1,003,242	0	426,501	1,429,743
Vocational	355,957	0	1,453	357,410
Other	1,350,123	0	0	1,350,123
<i>Support Services:</i>				
Pupils	698,456	0	27,906	726,362
Instructional Staff	287,690	0	384,270	671,960
Board of Education	42,837	0	0	42,837
Administration	813,823	0	93,542	907,365
Fiscal	245,346	0	16,864	262,210
Operation and Maintenance of Plant	967,273	0	20,500	987,773
Pupil Transportation	1,123,431	0	60	1,123,491
Central	106,904	0	20,937	127,841
Operation of Non-Instructional Services	0	0	486,422	486,422
Extracurricular Activities	233,289	0	95,254	328,543
Capital Outlay	405,356	11,888,663	0	12,294,019
<i>Debt Service:</i>				
Principal Retirement	36,260	0	263,029	299,289
Interest and Fiscal Charges	4,351	0	351,578	355,929
<i>Total Expenditures</i>	<u>12,231,181</u>	<u>11,888,663</u>	<u>2,914,419</u>	<u>27,034,263</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>311,889</u>	<u>(9,290,782)</u>	<u>16,692</u>	<u>(8,962,201)</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from the Sale of Capital Assets	3,774	0	0	3,774
Transfers In	0	513,868	202,167	716,035
Transfers Out	(716,035)	0	0	(716,035)
<i>Total Other Financing Sources (Uses)</i>	<u>(712,261)</u>	<u>513,868</u>	<u>202,167</u>	<u>3,774</u>
<i>Net Change in Fund Balances</i>	(400,372)	(8,776,914)	218,859	(8,958,427)
<i>Fund Balances at Beginning of Year - As Restated (See Note 3)</i>	<u>1,717,387</u>	<u>11,520,314</u>	<u>631,204</u>	<u>13,868,905</u>
<i>Fund Balances at End of Year</i>	<u>\$1,317,015</u>	<u>\$2,743,400</u>	<u>\$850,063</u>	<u>\$4,910,478</u>

See accompanying notes to the basic financial statements.



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

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Net Change in Fund Balances - Total Governmental Funds			(S8,958,427)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			11,668,730
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.			(130,822)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:			
Property taxes		38,309	
Intergovernmental		<u>(1,766,763)</u>	
Total revenues not reported in the funds			(1,728,454)
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			299,289
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(205)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:			
Compensated absences		(13,067)	
Intergovernmental payables		<u>(100,835)</u>	
Total expenditures not reported in the funds			<u>(113,902)</u>
<i>Change in Net Assets of Governmental Activities</i>			<u>\$1,036,209</u>
See accompanying notes to the basic financial statements.			

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,241,933	\$3,256,305	\$3,156,555	(\$99,750)
Intergovernmental	8,155,213	8,661,241	8,661,241	0
Interest	17,738	18,839	18,839	0
Tuition and Fees	539,976	577,131	573,481	(3,650)
Contributions and Donations	9,792	10,400	10,400	0
Miscellaneous	33,695	35,786	35,786	0
<i>Total Revenues</i>	<u>11,998,347</u>	<u>12,559,702</u>	<u>12,456,302</u>	<u>(103,400)</u>
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,050,830	4,948,156	4,565,498	382,658
Special	1,094,000	1,071,762	1,008,373	63,389
Vocational	397,420	389,341	366,314	23,027
Other	1,464,772	1,434,995	1,350,123	84,872
<i>Support Services:</i>				
Pupils	804,143	787,796	741,202	46,594
Instructional Staff	274,815	269,228	253,305	15,923
Board of Education	41,647	40,800	38,387	2,413
Administration	923,606	904,831	851,315	53,516
Fiscal	268,349	262,894	247,345	15,549
Operation and Maintenance of Plant	1,160,725	1,137,129	1,069,874	67,255
Pupil Transportation	1,248,864	1,223,477	1,151,115	72,362
Central	173,529	170,002	159,947	10,055
Extracurricular Activities	254,388	249,217	234,477	14,740
Capital Outlay	439,778	430,838	405,356	25,482
<i>Total Expenditures</i>	<u>13,596,866</u>	<u>13,320,466</u>	<u>12,442,631</u>	<u>877,835</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,598,519)</u>	<u>(760,764)</u>	<u>13,671</u>	<u>774,435</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from the Sale of Capital Assets	3,900	3,774	3,774	0
Advances In	250,610	242,543	242,543	0
Advances Out	0	0	(181,000)	(181,000)
Transfers Out	(500,000)	(721,035)	(716,035)	5,000
<i>Total Other Financing Sources (Uses)</i>	<u>(245,490)</u>	<u>(474,718)</u>	<u>(650,718)</u>	<u>(176,000)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,844,009)</u>	<u>(1,235,482)</u>	<u>(637,047)</u>	<u>598,435</u>
<i>Fund Balance at Beginning of Year</i>	1,826,032	1,826,032	1,826,032	0
Prior Year Encumbrances Appropriated	728,434	728,434	728,434	0
<i>Fund Balance at End of Year</i>	<u>\$710,457</u>	<u>\$1,318,984</u>	<u>\$1,917,419</u>	<u>\$598,435</u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Assets*

*Fiduciary Fund*

*June 30, 2004*

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	<u>Agency</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$71,549
Accounts Receivable	<u>176</u>
<i>Total Assets</i>	<u><u>\$71,725</u></u>
<b><u>Liabilities:</u></b>	
Intergovernmental Payable	\$243
Due to Students	<u>71,482</u>
<i>Total Liabilities</i>	<u><u>\$71,725</u></u>

See accompanying notes to the basic financial statements.

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**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**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 facilities staffed by 87 classified and 123 teaching personnel and 6 administrative employees providing education to approximately 1,682 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 and Booster Clubs 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 six organizations, four 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 Career Center, the Athens County School Employee 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 basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**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 governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Basis of Presentation**

The District's basic financial statements consists of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within two categories: governmental and fiduciary.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

**Governmental Funds**

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the District's major Governmental Funds:

**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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Ohio School Facilities Construction Project Fund**- This fund is used to account for the revenues and expenditures related to Ohio School Facilities Grant funding in the District to construct a new K-12 facility. Expenditures of the fund represent the costs of acquiring capital facilities including real property.

The other Governmental Funds of the District accounts for grants and other resources of the District whose use is restricted to a particular purpose.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: Pension Trust Funds, Investment Trust Funds, Private Purpose Trust Funds, and Agency Funds. Trust Funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only Fiduciary Fund is an Agency Fund which is used to account for student managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

**Fund Financial Statements**

All Governmental Funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

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. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible 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 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 (See Note 7). 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 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 a 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 the fiscal year-end: property taxes available for advance, grants and interest.



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

**Deferred Revenue**

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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On Governmental Fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During the fiscal year 2004, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) 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 the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$18,839, which includes \$4,064 assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

**F. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for resale and consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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.

**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation.

**I. Capital Assets**

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two hundred fifty dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payable”. These amounts are eliminated in the governmental activities column of the statement of net assets.

**K. 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the District’s termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 15 years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements.

On the Governmental Fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Compensated Absences Payable” in the fund from which the employees will be paid.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

**L. Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long-term loans, bonds and capital leases are recognized as a liability on the fund financial statements when due.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and 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 set-asides represents money required to be set-aside by statute for textbooks and capital improvements.

**O. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

**P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

**Q. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

**Changes in Accounting Principles**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38, and GASB Interpretation No. 6.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES - (Continued)**

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements present the District's programs as governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

**Restatement of Fund Balances**

The restatements for a fund reclassification and GASB Statement No. 34 had the following effects on fund balance of the major and nonmajor funds of the District as they were previously reported.

	General	OSFC Project	Nonmajor	Total
Fund Balances, June 30, 2003	\$1,717,387	\$11,520,314	\$651,226	\$13,888,927
Fund Reclassification	0	0	(20,022)	(20,022)
Adjusted Fund Balances, June 30, 2003	<u>\$1,717,387</u>	<u>\$11,520,314</u>	<u>\$631,204</u>	13,868,905
<i>GASB 34 Adjustments:</i>				
Intergovernmental Receivable				1,782,073
Property Taxes Receivable				188,640
Capital Assets				19,987,174
Accrued Interest Payable				(20,519)
Intergovernmental Payable				(97,717)
<i>Long-Term Obligations:</i>				
Compensated Absences Payable				(632,605)
Capital Leases Payable				(74,508)
Energy Conservation Loan				(211,000)
Asbestos Removal Loan				(85,720)
General Obligation Bonds				<u>(6,980,000)</u>
Governmental Activities Net Assets, June 30, 2003				<u>\$27,724,723</u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

**Budgetary Basis of Accounting**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis), is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
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 for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$400,372)
<i>Adjustments:</i>	
Revenue Accruals	(86,768)
Expenditure Accruals	71,216
Encumbrances	(282,666)
Other Sources (Uses)	61,543
Budget Basis	<u><u>(\$637,047)</u></u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 5 - ACCOUNTABILITY**

**Fund Deficits**

Fund balances at June 30, 2004 included the following individual fund deficits:

<i>Nonmajor Special Revenue Funds:</i>	
Lunchroom	\$72,881
Praxis	70
Eisenhower	66
Title VI	35
Drug Free	110
Handicapped Preschool	48
Title VI-R	2,861
Miscellaneous Federal Grants	81

The deficits in these funds are 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 these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)**

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAROhio); and
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.

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

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

**Deposits:** At year-end, the carrying amount of the District's deposits was \$3,807,462, and the bank balance was \$4,126,754. 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 deposit of money had been followed, noncompliance with federal requirements would potentially subject the money to a successful claim by the Federal Deposit Insurance Corporation.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)**

**Investments:** The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in 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.

	Category 3	Carrying Value	Fair Value
U. S. Government Agency Securities	\$1,097,914	\$1,097,914	\$1,097,914
STAR Ohio	-	1,880,664	1,880,664
Totals	\$1,097,914	\$2,978,578	\$2,978,578

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 basic financial statements and the classification of deposits and investments in GASB Statement No. 3 follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$6,786,040	\$0
<i>Investments:</i>		
U. S. Government Agency Securities	(1,097,914)	1,097,914
STAROhio	(1,880,664)	1,880,664
GASB Statement No. 3	\$3,807,462	\$2,978,578

**NOTE 7 - PROPERTY TAXES**

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

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**NOTE 7 - PROPERTY TAXES - (Continued)**

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

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

The District receives property taxes from Athens, Meigs and Vinton Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2004 are available to finance fiscal year 2004 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, 2004. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30, 2004 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, 2004 were \$225,105 for the General Fund, \$4,271 for the Classroom Facilities Maintenance Nonmajor Special Revenue Fund and \$43,376 for the Bond Retirement Nonmajor Debt Service Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$94,553,380	73.58%	\$110,025,980	75.51%
Public Utility Personal	24,293,750	18.91%	26,258,290	18.02%
Tangible Personal Property	9,656,095	7.51%	9,419,808	6.47%
Total Assessed Value	<u>\$128,503,225</u>	<u>100.00%</u>	<u>\$145,704,078</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$42.06		\$42.06

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004 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:

	<u>Amounts</u>
<i>General Fund</i>	\$2,311
<i>Nonmajor Special Revenue Funds:</i>	
Lunchroom	82
Title VI-B	31,404
Title I	52,135
Handicapped Preschool	507
Title VI-R	<u>10,423</u>
<i>Total Nonmajor Special Revenue Funds</i>	<u>94,551</u>
 Total Intergovernmental Receivables	 <u><u>\$96,862</u></u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**NOTE 9 - CAPITAL ASSETS**

Capital asset governmental activity for the fiscal year ended June 30, 2004 was as follows:

Asset Category	Balance at July 1, 2003	Transfer/ Additions	Transfer/ Deletions	Balance at June 30, 2004
<i>Nondepreciable Capital Assets:</i>				
Land	\$332,425	\$0	\$0	\$332,425
Construction In Progress	15,110,916	11,643,899	0	26,754,815
Total Nondepreciable Capital Assets	15,443,341	11,643,899	0	27,087,240
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	3,963,721	0	0	3,963,721
Furniture, Fixtures and Equipment	2,812,943	144,704	0	2,957,647
Vehicles	2,028,128	179,247	(281,797)	1,925,578
Sewage Plant Facility	16,640	0	0	16,640
Total Depreciable Capital Assets	8,821,432	323,951	(281,797)	8,863,586
Total Capital Assets	24,264,773	11,967,850	(281,797)	35,950,826
<i>Accumulated Depreciation:</i>				
Buildings and Improvements	(2,227,281)	(71,762)	0	(2,299,043)
Furniture, Fixtures and Equipment	(1,232,948)	(140,061)	0	(1,373,009)
Vehicles	(800,730)	(87,297)	150,975	(737,052)
Sewage Plant Facility	(16,640)	0	0	(16,640)
Total Accumulated Depreciation	(4,277,599)	(299,120)	150,975	(4,425,744)
Total Capital Assets, Net	\$19,987,174	\$11,668,730	(\$130,822)	\$31,525,082

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	129,636
Special	7,151
Vocational	5,939
<i>Support Services:</i>	
Pupil	3,578
Instructional Staff	4,115
Administration	7,852
Fiscal	2,025
Operation and Maintenance of Plant	22,605
Pupil Transportation	92,152
Central	9,627
Operation of Non-Instructional Services	2,354
Extracurricular Activities	12,086
Total Depreciation Expense	<u><u>\$299,120</u></u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, 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)	\$24,389,721
Inland Marine Coverage (\$250 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 2004, 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 Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 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 2004, 9.09 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, 2004, 2003, and 2002 were \$171,701, \$88,115, and \$57,803, respectively; 53.31 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$80,162 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

**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.

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



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** - (Continued)

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 2004, 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, 2004, 2003, and 2002 were \$722,020, \$688,363, and \$501,567, respectively; 82.89 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$123,572 representing the unpaid contribution for fiscal year 2004, 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, 2004, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$55,540 during fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 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.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 12 - POSTEMPLOYMENT BENEFITS** - (Continued)

For fiscal year 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. The number of participants currently receiving health care benefits is approximately 62,000. For the District, the amount to fund health care benefits, including the surcharge, equaled \$209,134 during the 2004 fiscal year.

**NOTE 13 - EMPLOYEE BENEFITS**

**Compensated Absences**

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

**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 Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the District during the 2004 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2003	Additions	Deductions	Principal Outstanding at June 30, 2004	Amount Due In One Year
<i>Governmental Activities:</i>							
Energy Conservation Loan	1997	6.00%	\$211,000	\$0	\$49,000	\$162,000	\$51,000
Asbestos Removal Loan	1995	N/A	85,720	0	9,029	76,691	9,029
General Obligation Bonds	2001	3.50-5.60%	6,980,000	0	205,000	6,775,000	215,000
Total General Obligation Debt			7,276,720	0	263,029	7,013,691	275,029
Compensated Absences Payable		N/A	632,605	163,720	104,109	692,216	65,445
Capital Leases Payable		7.69%	74,508	0	36,260	38,248	34,372
Total Governmental Activities Long-Term Obligations			<u>\$7,983,833</u>	<u>\$163,720</u>	<u>\$403,398</u>	<u>\$7,744,155</u>	<u>\$374,846</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 payable are paid from the fund from which the person is paid. The capital leases payable are paid from the General Fund. All other long-term obligations are paid from the Bond Retirement Nonmajor Debt Service Fund.

The District's voted legal debt margin was \$6,338,367 with an unvoted debt margin of \$145,704 at June 30, 2004.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 14 - LONG-TERM OBLIGATIONS** - (Continued)

Principal and interest requirements to retire the energy conservation loan, asbestos removal loan and general obligation bonds at June 30, 2004 are as follows:

Year Ending June 30	Energy Conservation Loan	Asbestos Removal Loan	General Obligation Bonds
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	0	9,029	546,534
2010-2014	0	31,546	2,728,794
2015-2019	0	0	2,698,621
2020-2024	0	0	2,666,980
Total Principal & Interest	174,201	76,691	10,835,139
Less: Interest	12,201	0	4,060,139
Total Principal	<u>\$162,000</u>	<u>\$76,691</u>	<u>\$6,775,000</u>

**NOTE 15 - 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 basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

The \$38,248 of outstanding capital leases payable relate to the lease/purchase of the modular buildings. The modular buildings are carried at a value of \$299,574 in the capital assets for governmental activities.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE** - (Continued)

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, 2004:

Fiscal Year Ending June 30	Capital Leases
2005	\$36,047
2006	3,924
Total	39,971
Less: Amount Representing Interest	(1,723)
Present Value of Net Minimum Lease Payments	<u>\$38,248</u>

**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2004, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
<i>General Fund</i>	\$25,000	\$0
<i>Nonmajor Special Revenue Fund:</i>		
Lunchroom	0	25,000
Total	<u>\$25,000</u>	<u>\$25,000</u>

The balance of \$25,000 due to the General Fund from the Lunchroom Special Revenue Fund is the result of advances made from the General Fund, that have not yet been repaid.

Transfers From	Transfers To			Total
	Ohio School Facilities Construction Project	Nonmajor Special Revenue Fund	Nonmajor Debt Service	
General	\$513,868	\$135,000	\$67,167	\$716,035

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

**NOTE 17 - STATUTORY SET-ASIDES**

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2004:

	Textbooks	Capital Improvements	Totals
Set-Aside Balance as of July 1, 2003	\$95,363	\$0	\$95,363
Current Year Set-Aside Requirement	225,795	225,795	451,590
Qualifying Disbursements	(223,247)	(184,278)	(407,525)
Total	97,911	41,517	139,428
Set-Aside Balance as of June 30, 2004	<u>\$97,911</u>	<u>\$41,517</u>	
Total Restricted Assets			<u>\$139,428</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 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 \$27,353 in fiscal year 2004.

**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.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS** - (Continued)

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 Career Center**

The Tri-County Career Center is a jointly governed organization providing vocational services to its eight member districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating districts. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2004, the District made no contributions to the Career Center. Financial information can be obtained from the Tri-County Career Center, 15676 State Route 691, Nelsonville, Ohio 45764.

**Athens County School Employee Health and Welfare Benefit Association**

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

**NOTE 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.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**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 an 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 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, 2004.



**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 18,550	\$	\$ 18,550
School Breakfast Program	10.553	05-PU-03 05-PU-04	4,033 <u>15,620</u>		4,033 <u>15,620</u>	
Total School Breakfast Program			<u>19,653</u>	0	<u>19,653</u>	0
National School Lunch Program	10.555	LL-P4-03 LL-P4-04	27,038 <u>106,346</u>		27,038 <u>106,346</u>	
Total National School Lunch Program			<u>133,384</u>	0	<u>133,384</u>	0
Total Nutrition Cluster			<u>153,037</u>	18,550	<u>153,037</u>	18,550
Total United States Department of Agriculture			153,037	18,550	153,037	18,550
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-03 C1-S1-04 C1-SD-03 C1-SD-04	88,361 364,001 <u>39,624</u>		75,955 324,895 5,383 <u>39,624</u>	
Total Title I Grants to Local Educational Agencies			<u>491,986</u>	0	<u>445,857</u>	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF-03-P 6B-SF-04	47,022 <u>230,298</u>		46,809 <u>207,290</u>	
Total Special Education - Grants to States			<u>277,320</u>	0	<u>254,099</u>	0
Special Education - Preschool Grants	84.173	PG-D7-03-P PG-S1-03-P PG-S1-03-P	2,500 5,437 <u>12,431</u>		2,494 4,255 <u>10,965</u>	
Total Special Education - Preschool Grants			<u>20,368</u>	0	<u>17,714</u>	0
Total Special Education Cluster			297,688	0	271,813	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-03 DR-S1-04	50 <u>12,238</u>		180 <u>12,238</u>	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>12,288</u>	0	<u>12,418</u>	0
Innovative Education Program Strategies	84.298	C2-S1-03 C2-S1-04	<u>9,973</u>		432 <u>9,973</u>	
Total Innovative Education Program Strategies			9,973	0	10,405	0
Technology State Formula Grants	84.318	TJ-S1-04	10,872		10,872	
Comprehensive School Reform Grant	84.332	RF-S1-02 RF-S1-03	35,032 <u>65,689</u>		72,294 <u>33,953</u>	
Total Comprehensive School Reform Grant			<u>100,721</u>	0	<u>106,247</u>	0
School Renovation Grant	84.352A	AT-S3-02	(152)		1,556	
Improving Teacher Quality - Title II-A	84.367	TR-S1-03 TR-S1-04	28,399 <u>97,288</u>		19,648 <u>93,873</u>	
Total Improving Teacher Quality - Title II-A			<u>125,687</u>	0	<u>113,521</u>	0
Total United States Department of Education			<u>1,049,063</u>	0	<u>972,689</u>	0
<b>Total Federal Awards Receipts and Expenditures</b>			<u><b>\$1,202,100</b></u>	<u><b>\$18,550</b></u>	<u><b>\$1,125,726</b></u>	<u><b>\$18,550</b></u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of this Schedule.

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the 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 School District to maintain separate inventory records for purchased food and food received from the U.S. 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 U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – UNEXPENDED FUNDS**

The School District returned \$5,660 of Title I Grant (CFDA #84.010) and \$8,388 of School Renovation Grant (CFDA #84.352A) monies to the Ohio Department of Education. These refunds are reflected as a negative receipt on the accompanying schedule.



**Auditor of State  
Betty Montgomery**

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

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

To the District Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Alexander Local School District, Athens County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 18, 2005, wherein we noted the District adopted Governmental Accounting Standards Board Statements 34, 37 and 38 and Interpretation 6. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 material to the financial statements we audited may occur and not be timely detected by employees when 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.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 18, 2005, we reported matters related to noncompliance we deem immaterial.

Alexander Local School District  
Athens County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the District Board of Education and federal awarding agencies and pass through entities. It is not intended for 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

April 18, 2005



## 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 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 apply to its major federal program for the year ended June 30, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect 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 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 apply to its major federal program for the year ended June 30, 2004.

#### Internal Control over Compliance

The District's management 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 directly and materially affect a major federal program 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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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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report for the information and use of management, the District Board of Education and federal awarding agencies and pass-through entities. It is not intended for 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

April 18, 2005

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)**

**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  
MAY 19, 2005**