



**Auditor of State  
Betty Montgomery**



**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying 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, 2005, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash 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, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended June 30, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006, 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.

Management's discussion and analysis and the respective budgetary comparison for the General Fund is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board 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 and 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 and 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.



**Betty Montgomery**  
Auditor of State

May 5, 2006

## **ALEXANDER LOCAL SCHOOL DISTRICT**

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2005*

*(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, 2005. 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 Statement 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.

### **Financial Highlights**

- ▶ The assets of Alexander Local School District exceeded its liabilities at June 30, 2005 by \$3,945,769. This balance was comprised of a \$1,928,227 balance in net asset amounts restricted for specific purposes and a balance of \$2,017,542 unrestricted net assets.
- ▶ In total, net assets of governmental activities decreased by \$2,768,723, which represents a 41.24 percent decrease from 2004.
- ▶ General revenues accounted for \$13,365,973 or 80.86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,162,837 or 19.14 percent of total revenues of \$16,528,810.
- ▶ The District had \$19,297,533 in expenses related to governmental activities; \$3,162,837 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 \$13,365,183 and \$2,768,723 of net assets from prior years were used to provide for these programs.
- ▶ The District recognizes three major governmental funds: the General, Bond Retirement 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 \$13,091,680 in revenues and \$13,086,897 in expenditures in fiscal year 2005.

### **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.

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.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
(Unaudited)

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**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 assets using the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting takes into account all of the current year's revenues and expenses based on when cash is received or paid.

The statement of net assets presents information on 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 cash received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the current fiscal period.

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, Bond Retirement and Ohio School Facilities Construction Project Funds.

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.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
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(Unaudited)

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**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 inflows and outflows of spendable cash, as well as on balances of spendable cash 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 cash basis of accounting.

**Fiduciary Fund**

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 modified cash 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 2005 compared to fiscal year 2004:

Table 1  
**Net Assets at Year End**

	<b><u>Governmental Activities</u></b>	
	2005	Restated 2004
<b><u>Assets:</u></b>		
Cash and Cash Equivalents	\$3,945,769	\$6,714,492
<i>Total Assets</i>	3,945,769	6,714,492
<b><u>Liabilities:</u></b>		
<i>Total Liabilities</i>	0	0
<b><u>Net Assets:</u></b>		
Restricted	1,928,227	2,627,688
Unrestricted	2,017,542	4,086,804
<i>Total Net Assets</i>	\$3,945,769	\$6,714,492

**ALEXANDER LOCAL SCHOOL DISTRICT**  
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(Unaudited)

Cash and cash equivalents decreased \$2,768,723 from fiscal year 2005 due to the use of cash toward the construction of the new school facilities.

The District's smallest portion of net assets is restricted. The restricted net assets are subject to external restrictions on how they may be used.

The remaining balance of \$2,017,542 is unrestricted assets. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

Table 2 shows the changes in net assets for fiscal year 2005 and comparisons to fiscal year 2004.

Table 2  
**Changes in Net Assets**

	<b>Governmental Activities</b>	
	2005	Restated 2004
<b><u>Revenues:</u></b>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$1,095,898	\$862,143
Operating Grants and Contributions	2,066,939	1,858,957
Capital Grants and Contributions	0	28,050
<i>General Revenue:</i>		
Property Taxes	4,112,394	3,824,691
Unrestricted Grants and Entitlements	9,038,384	11,458,009
Investment Earnings	42,117	125,262
Gain on Sale of Capital Assets	73,213	3,774
Miscellaneous	99,865	80,437
<i>Total Revenues</i>	16,528,810	18,241,323
<b><u>Expenses:</u></b>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	5,746,769	5,289,032
Special	1,490,862	1,441,990
Vocational	295,260	358,765
Other	1,317,142	1,350,123

(Continued)

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
(Unaudited)

Table 2  
**Changes in Net Assets**

	2005	Restated 2004
<i>Support Services:</i>		
Pupils	798,597	741,938
Instructional Staff	764,560	640,128
Board of Education	74,182	37,211
Administration	1,064,193	935,137
Fiscal	355,935	260,344
Operation and Maintenance of Plant	1,523,734	976,194
Pupil Transportation	1,152,791	1,121,115
Central	206,046	131,381
<i>Operation of Non-Instructional Services:</i>		
Food Service	749,572	456,773
Extracurricular Activities	326,007	329,725
Capital Outlay	2,815,657	13,384,381
Principal Retirement	275,029	263,029
Interest and Fiscal Charges	341,197	351,578
<i>Total Expenses</i>	<u>19,297,533</u>	<u>28,068,844</u>
<i>Change in Net Assets</i>	(2,768,723)	(9,827,521)
Net Assets – Beginning of Year	<u>6,714,492</u>	<u>16,542,013</u>
Net Assets – End of Year	<u>\$3,495,769</u>	<u>\$6,714,492</u>

The most significant program expenses for the District are Regular Instruction, Capital Outlay, Operation and Maintenance of Plant, Special Instruction, Other Instruction, and Pupil Transportation. These programs account for 72.80 percent of the total governmental activities. Regular Instruction, which accounts for 29.78 percent of the total, represents costs associated with providing general educational services. Capital Outlay, which represents 14.59 percent of the total, represents costs associated with the purchase and construction of capital assets. Operation and Maintenance of Plant, which represents 7.90 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Special Instruction, which represents 7.73 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Other Instruction, which represents 6.83 percent of the total, represents costs associated with the instruction of students that cannot be defined as regular, special or vocational instruction. Pupil Transportation, which represents 5.97 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, 2005*  
(Unaudited)

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As noted previously, the net assets for the governmental activities decreased \$2,768,723 or 41.24 percent. This is an increase from last year when net assets decreased \$9,827,521 or 59.41 percent. Total revenues decreased \$1,712,513 or 9.39 percent from last year and expenses decreased \$8,771,311 or 31.25 percent over last year.

The District had program revenue increases of \$413,687, as well as decreases in general revenues of \$2,126,200. The increase in program revenue is mostly due to the District receiving additional grants during fiscal year 2005. There was one significant decrease in general revenues. Grants and entitlements not restricted to specific programs decreased \$2,419,625 or 21.12 percent due to decreases in the school facilities commission grant.

The total expenses for governmental activities decreased due to a decrease in Capital Outlay. This decrease is the result of the completion of construction for the new facilities.

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 79.56 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 24.88 percent and intergovernmental revenue made up 67.19 percent of the total revenue for the governmental activities in fiscal year 2005.

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 2005, the District received \$8,512,845 through the State's foundation program, which represents 51.50 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 45.86 percent of governmental program expenses. Support services expenses make up 30.78 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 2005 and comparisons to fiscal year 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
(Unaudited)

Table 3  
**Net Cost of Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	Restated 2004	Restated 2004
<i>Program Expenses:</i>				
Instruction	\$8,850,033	\$6,896,481	\$8,439,910	\$6,579,518
Support Services	5,940,038	5,376,237	4,843,448	4,372,040
Operation of Non-Instructional Services	749,572	164,639	456,773	125,419
Extracurricular Activities	326,007	265,456	329,725	243,729
Capital Outlay	2,815,659	2,815,657	13,384,381	13,384,381
Principal Retirement	275,029	275,029	263,029	263,029
Interest and Fiscal Charges	341,197	341,197	351,578	351,578
Total Expenses	<u>\$19,297,533</u>	<u>\$16,134,696</u>	<u>\$28,068,844</u>	<u>\$25,319,694</u>

**The District's Funds**

The District's governmental funds are accounted for using the modified cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of \$16,916,558 and total expenditures and other financing uses of \$19,685,281.

Total governmental funds fund balance decreased by \$2,768,723. The decrease in fund balance for the year was most significant in the Ohio School Facilities Construction Project Fund, where a decrease of \$2,718,212 occurred as a result of the construction work being performed on the new school facilities during fiscal year 2005.

The District should remain stable in fiscal years 2006 through 2008. However, projections beyond fiscal year 2008 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 2005, 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, 2005*  
*(Unaudited)*

For the General Fund, the final budget basis revenue was \$13,071,616 representing a \$179,541 increase from the original budget estimates of \$12,892,075. The final budget reflected a 1.39 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 \$13,522,332 representing a decrease of \$633,493 from the original budget expenditures of \$14,155,825. The final budget reflected a 4.48 percent decrease from the original budgeted amount. Most of the decrease is due to the effort by the District to control spending.

**Debt Administration**

At June 30, 2005, the District had \$6,738,662 in general obligation debt outstanding with \$288,029 due within one year. Table 5 summarizes loans and bonds outstanding for fiscal year 2005 compared to fiscal year 2004.

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

Purpose	Governmental Activities	
	2005	2004
Energy Conservation Loan	\$111,000	\$162,000
Asbestos Removal Loan	67,662	76,691
General Obligation Bonds	6,560,000	6,775,000
Total	<u>\$6,738,662</u>	<u>\$7,013,691</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 2002, 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 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court now has two new Justices 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, 2005*  
*(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 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 75.23 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 Richard Koker, 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 - Modified Cash Basis*  
*June 30, 2005*

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,945,769</u>
<i>Total Assets</i>	<u>3,945,769</u>
<b><u>Net Assets:</u></b>	
<i>Restricted for:</i>	
Capital Projects	819,738
Debt Service	507,023
Other Purposes	601,466
Unrestricted	<u>2,017,542</u>
<i>Total Net Assets</i>	<u><u>\$3,945,769</u></u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Statement of Activities - Modified Cash Basis*

*For the Fiscal Year Ended June 30, 2005*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>				
<i>Instruction:</i>				
Regular	\$5,746,769	\$709,069	\$835,673	(\$4,202,027)
Special	1,490,862	0	408,810	(1,082,052)
Vocational	295,260	0	0	(295,260)
Other	1,317,142	0	0	(1,317,142)
<i>Support Services:</i>				
Pupils	798,597	0	103,534	(695,063)
Instructional Staff	764,560	0	348,368	(416,192)
Board of Education	74,182	0	0	(74,182)
Administration	1,064,193	7,750	46,106	(1,010,337)
Fiscal	355,935	0	3,585	(352,350)
Operation and Maintenance of Plant	1,523,734	0	0	(1,523,734)
Pupil Transportation	1,152,791	0	32,675	(1,120,116)
Central	206,046	0	21,783	(184,263)
<i>Operation of Non-Instructional Services:</i>				
Food Service	749,572	319,028	265,905	(164,639)
Extracurricular Activities	326,007	60,051	500	(265,456)
Capital Outlay	2,815,657	0	0	(2,815,657)
Principal	275,029	0	0	(275,029)
Interest and Fiscal Charges	341,197	0	0	(341,197)
<b>Total Governmental Activities</b>	<b>\$19,297,533</b>	<b>\$1,095,898</b>	<b>\$2,066,939</b>	<b>(\$16,134,696)</b>

**General Revenues:**

*Property Taxes Levied for:*

General Purposes	3,464,874
Debt Service	647,520
Grants and Entitlements not Restricted to Specific Programs	9,038,384
Investment Earnings	42,117
Gain on Sale of Capital Assets	73,213
Miscellaneous	99,865

**Total General Revenues** 13,365,973

Change in Net Assets (2,768,723)

*Net Assets at Beginning of Year - As Restated (See Note 3)* 6,714,492

*Net Assets at End of Year* \$3,945,769

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2005*

	General	Bond Retirement	Ohio School Facilities Construction Project	All Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$1,630,552	\$507,023	\$819,738	\$728,672	\$3,685,985
<b><u>Restricted Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	259,784	0	0	0	259,784
<i>Total Assets</i>	<u>\$1,890,336</u>	<u>\$507,023</u>	<u>\$819,738</u>	<u>\$728,672</u>	<u>\$3,945,769</u>
<b><u>Fund Balances:</u></b>					
Reserved for Encumbrances	0	0	53,034	136,073	189,107
Reserved for Textbooks and Instructional Materials	169,419	0	0	0	169,419
Reserved for Capital Improvements	53,541	0	0	0	53,541
Reserved for Bus Purchases	36,824	0	0	0	36,824
<i>Unreserved, Undesignated, Reported in:</i>					
General Fund	1,630,552	0	0	0	1,630,552
Special Revenue Funds	0	0	0	592,599	592,599
Debt Service Fund	0	507,023	0	0	507,023
Capital Projects Funds	0	0	766,704	0	766,704
<i>Total Fund Balances</i>	<u>\$1,890,336</u>	<u>\$507,023</u>	<u>\$819,738</u>	<u>\$728,672</u>	<u>\$3,945,769</u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2005

	General	Bond Retirement	Ohio School Facilities Construction Project	All Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$3,401,075	\$647,520	\$0	\$63,799	\$4,112,394
Intergovernmental	8,934,086	65,624	23,500	2,077,907	11,101,117
Interest	25,846	0	16,261	342	42,449
Tuition and Fees	663,189	0	0	45,880	709,069
Rent	698	0	0	0	698
Extracurricular Activities	0	0	0	67,801	67,801
Charges for Services	0	0	0	319,028	319,028
Gifts and Donations	0	0	0	3,874	3,874
Miscellaneous	66,786	0	0	32,381	99,167
<i>Total Revenues</i>	<u>13,091,680</u>	<u>713,144</u>	<u>39,761</u>	<u>2,611,012</u>	<u>16,455,597</u>
<b><u>Expenditures:</u></b>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	4,883,803	0	0	862,966	5,746,769
Special	1,049,140	0	0	441,722	1,490,862
Vocational	292,563	0	0	2,697	295,260
Other	1,317,142	0	0	0	1,317,142
<i>Support Services:</i>					
Pupils	672,045	0	0	126,552	798,597
Instructional Staff	352,490	0	0	412,070	764,560
Board of Education	74,182	0	0	0	74,182
Administration	981,949	4,102	0	78,142	1,064,193
Fiscal	346,713	6,136	0	3,086	355,935
Operation and Maintenance of Plant	1,492,863	0	0	30,871	1,523,734
Pupil Transportation	1,117,989	0	0	34,802	1,152,791
Central	185,309	0	0	20,737	206,046
Operation of Non-Instructional Services	0	0	0	749,572	749,572
Extracurricular Activities	263,025	0	0	62,982	326,007
Capital Outlay	57,684	0	2,757,973	0	2,815,657
<i>Debt Service:</i>					
Principal Retirement	0	275,029	0	0	275,029
Interest and Fiscal Charges	0	341,197	0	0	341,197
<i>Total Expenditures</i>	<u>13,086,897</u>	<u>626,464</u>	<u>2,757,973</u>	<u>2,826,199</u>	<u>19,297,533</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>4,783</u>	<u>86,680</u>	<u>(2,718,212)</u>	<u>(215,187)</u>	<u>(2,841,936)</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from the Sale of Capital Assets	73,213	0	0	0	73,213
Advances In	0	0	0	117,640	117,640
Advances Out	(117,640)	0	0	0	(117,640)
Transfers In	0	66,717	0	203,391	270,108
Transfers Out	(270,108)	0	0	0	(270,108)
<i>Total Other Financing Sources (Uses)</i>	<u>(314,535)</u>	<u>66,717</u>	<u>0</u>	<u>321,031</u>	<u>73,213</u>
<i>Net Change in Fund Balances</i>	<u>(309,752)</u>	<u>153,397</u>	<u>(2,718,212)</u>	<u>105,844</u>	<u>(2,768,723)</u>
<i>Fund Balances at Beginning of Year - As Restated (See Note 3)</i>	<u>2,200,088</u>	<u>353,626</u>	<u>3,537,950</u>	<u>622,828</u>	<u>6,714,492</u>
<i>Fund Balances at End of Year</i>	<u>\$1,890,336</u>	<u>\$507,023</u>	<u>\$819,738</u>	<u>\$728,672</u>	<u>\$3,945,769</u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$3,200,068	\$3,399,294	\$3,401,075	\$1,781
Intergovernmental	8,934,940	8,916,793	8,934,086	17,293
Interest	25,452	25,400	25,846	446
Tuition and Fees	664,539	663,189	663,189	0
Rent	699	698	698	0
Miscellaneous	66,377	66,242	66,786	544
<i>Total Revenues</i>	12,892,075	13,071,616	13,091,680	20,064
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,264,573	5,060,343	4,883,803	176,540
Special	1,082,919	1,051,660	1,049,140	2,520
Vocational	303,730	297,212	292,563	4,649
Other	1,407,500	1,317,142	1,317,142	0
<i>Support Services:</i>				
Pupils	770,027	681,229	672,045	9,184
Instructional Staff	436,147	374,855	352,490	22,365
Board of Education	73,075	75,077	74,182	895
Administration	1,001,600	990,182	981,949	8,233
Fiscal	298,948	347,113	346,713	400
Operation and Maintenance of Plant	1,737,518	1,643,713	1,492,863	150,850
Pupil Transportation	1,230,551	1,156,933	1,117,989	38,944
Central	99,637	185,357	185,309	48
Extracurricular Activities	282,740	263,139	263,025	114
Capital Outlay	166,860	78,377	57,684	20,693
<i>Total Expenditures</i>	14,155,825	13,522,332	13,086,897	435,435
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,263,750)	(450,716)	4,783	455,499
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from the Sale of Capital Assets	0	73,213	73,213	0
Advances Out	0	(117,639)	(117,639)	0
Transfers Out	(200,000)	(270,109)	(270,109)	0
<i>Total Other Financing Sources (Uses)</i>	(200,000)	(314,535)	(314,535)	0
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(1,463,750)	(765,251)	(309,752)	455,499
<i>Fund Balance at Beginning of Year</i>	1,917,419	1,917,419	1,917,419	0
Prior Year Encumbrances Appropriated	282,671	282,671	282,671	0
<i>Fund Balance at End of Year</i>	\$736,340	\$1,434,839	\$1,890,338	\$455,499

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Fund*  
*June 30, 2005*

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	<u>Agency</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$56,488</u>
<i>Total Assets</i>	<u><u>\$56,488</u></u>
<b><u>Liabilities:</u></b>	
Due to Students	<u>\$56,488</u>
<i>Total Liabilities</i>	<u><u>\$56,488</u></u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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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 91 classified and 125 teaching personnel and 6 administrative employees providing education to approximately 1,660 students.

**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 Employees Health and Welfare Benefit Association, the Alexander Future Foundation and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14 and 15 to the basic financial statements.

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

The financial statements of the Alexander Local School District have been prepared in conformity with a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles as applied to governmental units. Although Ohio Administration Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with modified cash basis of accounting. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The more significant of the District's accounting policies are described below.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

**A. Basis of Presentation**

The District's basic financial statement 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.

**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. The difference between governmental fund assets and liabilities is reported as fund balance.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

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.

**Bond Retirement Fund**- This fund is used for the retirement of bonds and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

**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, and measures revenues and expenses when cash is received or paid.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of cash measurement focus. With this measurement focus, only cash is 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 cash. 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.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, governmental funds and fiduciary fund financial statements are prepared using the modified cash basis of accounting.

**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 2005, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAROhio's share price which is the price the investments could be sold for on June 30, 2005.

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 2005 amounted to \$25,846, which includes \$10,024 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.

**F. 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.

**G. Inventory and Prepaid Items**

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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

**H. Capital Assets**

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

**I. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

**J. Long-term Obligations**

These modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**K. 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.

**L. 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, textbooks and instructional material, capital improvements and bus purchases.

The reserves for textbooks and instructional materials, and capital improvements represents money required to be set-aside by statute and are explained in more detail in Note 12.

**M. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash 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, 2005*

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

**N. 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 2005.

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 - PRIOR PERIOD ADJUSTMENTS AND NEW GASB PRONOUNCEMENT**

**Prior Period Adjustments**

For fiscal year 2005, the District decided to report on the modified cash basis of accounting, which resulted in prior period adjustments to remove net accrual entries from the June 30, 2004 balances.

	Fund Balances June 30, 2004	Net Accrual Adjustments	Adjusted Fund Balances June 30, 2004
General	\$1,317,015	\$883,073	\$2,200,088
Bond Retirement	397,002	(43,376)	353,626
Ohio School Facilities Construction Project	2,743,400	794,550	3,537,950
Nonmajor	453,061	169,767	622,828
Total	<u>\$4,910,478</u>	<u>\$1,804,014</u>	<u>\$6,714,492</u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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**NOTE 3 - PRIOR PERIOD ADJUSTMENTS AND NEW GASB PRONOUNCEMENT** - (Continued)

	<u>Governmental Activities</u>
Net Assets, June 30, 2004	\$28,760,932
Net Accrual Adjustments	<u>(22,046,440)</u>
Adjusted Net Assets, June 30, 2004	<u><u>\$6,714,492</u></u>

**New GASB Pronouncement**

For fiscal year 2005, the District implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." The implementation of GASB Statement No. 40 had some effect on the disclosure requirements, however, there was no effect on the prior period fund balances of the District.

**NOTE 4 - 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.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public funds on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the District's name. During fiscal year 2005, the District complied with the provisions of these statutes.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**NOTE 4 - 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 (STAR Ohio);
- (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; and
- (8) Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**NOTE 4 - DEPOSITS AND INVESTMENTS-** (Continued)

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

At June 30, 2005, the carrying amount of all District deposits was \$3,447,846. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2005, \$3,531,094 of the District's bank balance of \$3,631,094 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$3,531,094 exposed to custodial risk was collateralized with securities held by the District or its agency in the District's name.

**Investments:** As of June 30, 2005, the district had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	\$554,411	\$554,411
Totals	<u>\$554,411</u>	<u>\$554,411</u>

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

**Credit Risk:** Standard and Poor's has assigned STAROhio an "AAAm" money market rating.

**Custodial Credit Risk:** For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the District or not.

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:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$4,002,257	\$0
<i>Investments:</i>		
STAR Ohio	<u>(554,411)</u>	<u>554,411</u>
GASB Statement No. 3	<u>\$3,447,846</u>	<u>\$554,411</u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**NOTE 5 - 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.

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. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$112,709,980	77.47%	\$114,734,740	75.23%
Public Utility Personal	29,991,630	20.61%	33,857,070	22.20%
Tangible Personal Property	2,788,920	1.92%	3,919,901	2.57%
Total Assessed Value	<u>\$145,490,530</u>	<u>100.00%</u>	<u>\$152,511,711</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$38.76		\$38.76

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

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**NOTE 6 - 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 2005, 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 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 15). 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, 2005*

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**NOTE 7 - 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 2005, 10.57 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, 2005, 2004, and 2003 were \$245,365, \$171,701, and \$88,115, respectively; 40.50 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003.

**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, 2005*

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**NOTE 7 - 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 2005, 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, 2005, 2004, and 2003 were \$878,981, \$722,020, and \$688,363, respectively; 77.69 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003.

**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, 2005, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 8 - 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 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$67,614 during fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004 (the latest information year available). 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, 2005*

**NOTE 8 - POSTEMPLOYMENT BENEFITS** - (Continued)

For fiscal year 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay has been established at \$27,400. 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 \$161,866 during the 2005 fiscal year.

**NOTE 9 - EMPLOYEE BENEFITS**

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

**NOTE 10 - LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the District during the 2005 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2004	Additions	Deductions	Principal Outstanding at June 30, 2005	Amount Due In One Year
<i>Governmental Activities:</i>							
Energy Conservation Loan	1997	6.00%	\$162,000	\$0	\$51,000	\$111,000	\$54,000
Asbestos Removal Loan	1995	N/A	76,691	0	9,029	67,662	9,029
General Obligation Bonds	2001	3.50-5.60%	6,775,000	0	215,000	6,560,000	225,000
Total Governmental Activities Long-Term Obligations			<u>\$7,013,691</u>	<u>\$0</u>	<u>\$275,029</u>	<u>\$6,738,662</u>	<u>\$288,029</u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2005*

**NOTE 10 - LONG-TERM OBLIGATIONS**- (Continued)

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.

The bonds and loans are paid from the Bond Retirement Debt Service Fund.

The District's voted legal debt margin was \$6,553,367 with an unvoted debt margin of \$145,704 at June 30, 2005.

Principal and interest requirements to retire the energy conservation loan, asbestos removal loan and general obligation bonds at June 30, 2005 are as follows:

Year Ending June 30	Energy Conservation Loan	Asbestos Removal Loan	General Obligation Bonds
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	0	9,029	545,441
2011-2015	0	22,517	2,726,949
2016-2020	0	0	2,694,416
2021-2024	0	0	2,127,589
Total Principal & Interest	116,513	67,662	10,285,631
Less: Interest	5,513	0	3,725,631
Total Principal	<u>\$111,000</u>	<u>\$67,662</u>	<u>\$6,560,000</u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**NOTE 11 - INTERFUND ACTIVITY**

As of June 30, 2005, unpaid interfund cash advances were as follows:

Fund	Advances Out	Advances In
General Fund	\$117,640	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Title I Fund	0	14,780
Title VI-B Fund	0	10,835
Drug Free Schools Fund	0	83
Miscellaneous Federal Grants Fund	0	91,942
Total	\$117,640	\$117,640

The balance of \$117,640 due to the General Fund from various funds is the result of advances made from the General Fund, that have not yet been repaid.

Transfers To				
Transfers From	Bond Retirement	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
General	\$66,717	\$203,330	\$61	\$270,108

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, 2005*

**NOTE 12 - STATUTORY SET-ASIDES**

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2005:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Totals</u>
Set-Aside Balance as of July 1, 2004	\$97,911	\$41,517	\$139,428
Current Year Set-Aside Requirement	238,000	238,000	476,000
Qualifying Disbursements	<u>(166,492)</u>	<u>(225,976)</u>	<u>(392,468)</u>
Total	<u>169,419</u>	<u>53,541</u>	<u>222,960</u>
Set-Aside Balance as of June 30, 2005	<u>\$169,419</u>	<u>\$53,541</u>	
Total Restricted Assets			<u>\$222,960</u>

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

**NOTE 13 - 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 \$26,399 in fiscal year 2005.

**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, 2005*

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**NOTE 13 - 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 2005, 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 14 - 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, 2005*

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**NOTE 15 - GROUP PURCHASING POOL**

**Ohio School Boards Association Worker's Compensation Group Rating Plan**

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

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

**NOTE 16 - 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 17 - 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, 2005.

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**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<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 Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 19,671	\$	\$ 19,671
School Breakfast Program	10.553	05PU-2004 05PU-2005	9,071 47,153		9,071 47,153	
Total National School Breakfast Program			<u>56,224</u>	<u>0</u>	<u>56,224</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2004 LLP4-2005	39,656 160,856		39,656 160,856	
Total National School Lunch Program			<u>200,512</u>	<u>0</u>	<u>200,512</u>	<u>0</u>
Total Nutrition Cluster			256,736	19,671	256,736	19,671
Fresh Fruit and Vegetable Program	10.582	VGS1-2005	70,430		70,430	
Total United States Department of Agriculture			327,166	19,671	327,166	19,671
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2004 C1S1-2005 C1SD-2005 C1SK-2005	18,122 339,371 51,071 8,815		57,228 310,423 51,647 8,333	
Total Title I Grants to Local Educational Agencies			<u>417,379</u>	<u>0</u>	<u>427,631</u>	<u>0</u>
Special Education Cluster:						
Special Education - Grants to States	84.027	6BSF-2004 6BSF-2005	31,404 340,270		54,413 348,073	
Total Special Education - Grants to States			<u>371,674</u>	<u>0</u>	<u>402,486</u>	<u>0</u>
Special Education- Preschool Grants	84.173	PGS1-2004 PGS1-2005	507 16,042		1,973 12,239	
Total Special Education- Preschool Grants			<u>16,549</u>	<u>0</u>	<u>14,212</u>	<u>0</u>
Total Special Education Cluster			388,223	0	416,698	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2005	9,515		9,598	
Incentive Grant	84.276	G2S1-2001	(525)			
Twenty-First Century Grant	84.287	T1S1-2005	207,694		211,018	
Innovative Education Program Strategies	84.298	C2S1-2005	7,733		7,320	
Technology State Formula Grants	84.318	TJS1-2005	10,138		10,169	
Comprehensive School Reform Demonstration Grant	84.332	RFS3-2003 RFS3-2004	24,311 62,680		56,909 46,635	
Total Comprehensive School Reform Demonstration Grant			<u>86,991</u>	<u>0</u>	<u>103,544</u>	<u>0</u>
Class Size Reduction Grant	84.340	CRS1-2002	(42)			
Improving Teacher Quality - Title II-A	84.367	TRS1-2004 TRS1-2005	10,423 81,344		13,838 78,346	
Total Improving Teacher Quality - Title II-A			<u>91,767</u>	<u>0</u>	<u>92,184</u>	<u>0</u>
Total United States Department of Education			1,218,873	0	1,278,162	0
<b>Total Federal Awards Receipts and Expenditures</b>			<u><b>\$1,546,039</b></u>	<u><b>\$19,671</b></u>	<u><b>\$1,605,328</b></u>	<u><b>\$19,671</b></u>

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

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary 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 District returned \$525 of Incentive Grant (CFDA #84.276) and \$42 of Class Size Reduction (CFDA #84.340) 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  
Athens, Ohio 45710

To the 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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 5, 2006, wherein we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 caused by error or fraud 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. In a separate letter to the District's management dated May 5, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2005-001 through 2005-002. In a separate letter to the District's management dated May 5, 2006, we reported other matters related to noncompliance we deemed 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*

We intend this report solely for the information and use of the audit committee, management, the 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

May 5, 2006



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 (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 programs for the year ended June 30, 2005. 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 other procedures we considered necessary in the circumstances. We believe 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, 2005. In a separate letter to the District's management dated May 5, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

#### 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 solely for the information and use of the audit committee, management, the Board of Education, 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

May 5, 2006

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster – CFDA #84.027 and #84.173
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

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

Ohio Admin. Code Section 117-2-03(B) requires the District to file its annual financial report pursuant to generally accepted accounting principles. However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**Officials' Response:** We did not receive a response from the Officials to the Finding reported above.

**FINDING NUMBER 2005-002**

**Finding For Recovery**

Ohio Rev. Code Section 3313.12 states, in part, that each member of a district board or educational service center governing board may be paid such compensation as the respective board provides by resolution for attendance at an approved training program, provided that such compensation shall not exceed sixty dollars a day for attendance at a training program three hours or fewer in length and one hundred twenty-five dollars a day for attendance at a training program longer than three hours in length.

This Section was amended by Senate Bill 187, effective September 20, 2002, to reflect the current language stated above. The provisions apply to board of education members who begin a new term of office after September 20, 2002.

Steve Thomas and Donald Davis both had current terms beginning January, 2001. Both of the above named Board members received compensation for attending seminars during fiscal year 2004 and fiscal year 2005 as follows:

	Steve Thomas			Donald Davis		
	# of Seminars Attended	\$125 per Seminar	Total	# of Seminars Attended	\$125 per Seminar	Total
Fiscal Year 2004	2	\$ 125	\$ 250	0	\$ 125	\$ -
Fiscal Year 2005	8	125	1,000	3	125	375
<b>Total Overpayment</b>			<u>\$ 1,250</u>			<u>\$ 375</u>

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)**

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

**FINDING NUMBER 2005-002 (Continued)**

**Finding For Recovery (Continued)**

This resulted in Board of Education members Mr. Thomas and Mr. Davis receiving in-term increases in compensation, contrary to Section 3313.12.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Steve Thomas in the amount of \$1,250, and against Donald Davis in the amount of \$375, for a total amount of \$1,625, in favor of Alexander Local School District's General Fund.

On March 14, 2006, Donald Davis repaid \$375 to the Alexander Local School District as per the Treasurer's receipt number 49425.

**Officials' Response:** When passing a Resolution to authorize the payment of \$125 per day for attendance at a training program, the Board of Education did not realize this payment could not be made until Board Members began new terms.

**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  
JUNE 20, 2006**