



Dave Yost • Auditor of State



**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

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

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alexander Local School District, Athens County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General, Classroom Facilities Maintenance and School Wide Building Program Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code Section 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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 4, 2013

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**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)*

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The discussion and analysis of the Alexander Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2013. 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.

Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- ▶ The net position of the District at June 30, 2013 is \$6,895,954. This balance was comprised of a \$2,718,040 balance in net position amounts restricted for specific purposes and a balance of \$4,177,914 in unrestricted net position.
- ▶ In total, net position of governmental activities increased by \$249,341, which represents a 3.75 percent increase from 2012.
- ▶ General receipts accounted for \$15,107,021 or 83.31 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$3,026,065 or 16.69 percent of total receipts of \$18,133,086.
- ▶ The District had \$17,883,745 in disbursements related to governmental activities; \$3,026,065 of these disbursements were offset by program specific charges for services and sales, grants or contributions. General receipts (primarily taxes and grants and entitlements) of \$15,107,021 were used to provide for the remainder of these programs.
- ▶ The District recognizes four major governmental funds: the General, Classroom Facilities Maintenance, School Wide Building Program and Bond Retirement 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 \$15,463,991 in receipts and \$11,537,861 in disbursements in fiscal year 2013.

**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 the 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, 2013*

*(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 position 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 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 receipts and disbursements based on when cash is received or paid.

The statement of net position presents information on the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 receipts 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 position changed during the recent fiscal year. All changes in net position are reported as cash received or paid. Thus, receipts and disbursements 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, operation of non-instructional services, and extracurricular activities. These services are funded primarily by taxes, tuition and fees, and intergovernmental receipts including federal and state grants and other shared receipts.

**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, Classroom Facilities Maintenance, School Wide Building Program and Bond Retirement 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 objectives. 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 three categories: governmental, proprietary and fiduciary funds.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(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 the cash basis of accounting.

**Proprietary Funds**

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions of the workers compensation program.

**Fiduciary Funds**

The District's only fiduciary funds are agency funds. 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 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 position provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net position). Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012:

	<b>Net Position at Year End</b>	
	<b><u>Governmental Activities</u></b>	
	<u>2013</u>	<u>2012</u>
<b><u>Assets:</u></b>		
Cash and Cash Equivalents	<u>\$6,895,954</u>	<u>\$6,646,613</u>
<i>Total Assets</i>	<u>\$6,895,954</u>	<u>\$6,646,613</u>
<b><u>Net Position:</u></b>		
Restricted	<u>\$2,718,040</u>	<u>\$2,742,571</u>
Unrestricted	<u>4,177,914</u>	<u>3,904,042</u>
<i>Total Net Position</i>	<u><u>\$6,895,954</u></u>	<u><u>\$6,646,613</u></u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)*

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Cash and cash equivalents increased \$249,341 from fiscal year 2012 due to receipts exceeding disbursements, which is the result of the District's efforts to control spending.

The District's largest portion of net position is unrestricted assets. This net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$2,718,040 is restricted net position. The restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2013 and comparisons to fiscal year 2012.

Table 2  
**Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b><u>Receipts:</u></b>		
<i>Program Receipts:</i>		
Charges for Services and Sales	\$1,342,776	\$1,224,208
Operating Grants and Contributions	1,683,289	2,084,133
<i>General Receipts:</i>		
Property Taxes	4,578,034	4,570,412
Unrestricted Grants and Entitlements	10,379,070	10,403,650
Investment Earnings	90,592	49,506
Proceeds from Sale of Capital Assets	13,442	7,036
Insurance Recoveries	1,595	489
Miscellaneous	44,288	30,869
<i>Total Receipts</i>	<u>18,133,086</u>	<u>18,370,303</u>
<b><u>Disbursements:</u></b>		
<i>Instruction:</i>		
Regular	6,049,185	6,670,019
Special	2,168,083	2,018,700
Vocational	141,457	140,283
Student Intervention Services	317	4,170
Other	1,413,026	1,408,874

(Continued)

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)*

Table 2  
**Changes in Net Position**

	<b><u>Governmental Activities</u></b>	
	<u>2013</u>	<u>2012</u>
<i>Support Services</i>		
Pupils	856,802	819,866
Instructional Staff	716,564	669,712
Board of Education	50,662	88,347
Administration	1,097,978	1,222,210
Fiscal	436,439	405,782
Operation and Maintenance of Plant	1,399,105	1,278,566
Pupil Transportation	1,469,642	1,426,376
Central	210,295	186,048
<i>Operation of Non-Instructional Services:</i>		
Food Service	776,330	781,691
Other	3,670	15,364
Extracurricular Activities	391,593	381,094
Capital Outlay	48,553	125,441
Principal Retirement	394,459	384,029
Interest and Fiscal Charges	259,585	267,686
<i>Total Disbursements</i>	<u>17,883,745</u>	<u>18,294,258</u>
<i>Change in Net Position</i>	249,341	76,045
Net Position - Beginning of Year	<u>6,646,613</u>	<u>6,570,568</u>
Net Position - End of Year	<u><u>\$6,895,954</u></u>	<u><u>\$6,646,613</u></u>

The most significant program disbursements for the District are Regular Instruction, Special Instruction, Pupil Transportation, Other Instruction, Operation and Maintenance of Plant, and Administration. These programs account for 76.03 percent of the total governmental activities. Regular Instruction, which accounts for 33.84 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 12.12 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupil Transportation, which represents 8.21 percent of the total cost, represents costs associated with transporting students to and from school, as well as to activities. Other Instruction, which represents 7.90 percent of the total, represents costs associated with the instruction of students that cannot be defined as regular, special or vocational instruction. Operation and Maintenance of Plant, which represents 7.82 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Administration, which represents 6.14 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*(Unaudited)*

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As noted previously, the net position for the governmental activities increased \$249,341 or 3.75 percent. This is a change from last year when net position increased \$76,045 or 1.16 percent. Total receipts decreased \$237,217 or 1.29 percent from last year and disbursements decreased \$410,513 or 2.24 percent over last year.

The District had program receipts decreases of \$282,276, and increases in general receipts of \$45,059. The decrease in program receipts is mostly due to the reduction of federal funding, primarily the Education Jobs Grant in fiscal year 2013. The increase in general receipts is due to additional investment earnings during fiscal year 2013.

The total disbursements for governmental activities decreased \$410,513 as the net result of decreases to salaries and benefits due to budget reductions.

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 82.49 percent of total receipts.

### **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 receipts and, like most Ohio schools, is hampered by a lack of receipts growth. Property taxes made up 25.25 percent and intergovernmental receipts made up 66.42 percent of the total receipts for the governmental activities in fiscal year 2013.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall receipts 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 receipts consist of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2013, the District received \$9,547,043 through the State's foundation program, which represents 52.65 percent of the total receipts for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 54.64 percent of governmental program disbursements. Support services disbursements make up 34.87 percent of governmental disbursements. 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 2013 and comparisons to fiscal year 2012. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

Table 3

**Net Cost of Governmental Activities**

	<u>Governmental Activities</u>		Total Cost of Services	Net Cost of Services
	Total Cost of Services	Net Cost of Services		
	2013	2013		
<i>Program Disbursements:</i>			2012	2012
Instruction	\$9,772,068	\$7,686,488	\$10,242,046	\$7,785,339
Support Services	6,237,487	6,022,244	6,096,907	5,987,577
Operation of Non-Instructional Services	780,000	146,262	797,055	131,431
Extracurricular Activities	391,593	300,089	381,094	304,414
Capital Outlay	48,553	48,553	125,441	125,441
Principal Retirement	394,459	394,459	384,029	384,029
Interest and Fiscal Charges	259,585	259,585	267,686	267,686
Total Disbursements	<u>\$17,883,745</u>	<u>\$14,857,680</u>	<u>\$18,294,258</u>	<u>\$14,985,917</u>

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total receipts and other financing sources of \$22,675,386 and total disbursements and other financing uses of \$22,429,455.

Total governmental funds fund balance increased by \$245,931. The increase in fund balance for the year was most significant in the General Fund, where an increase of \$108,478 occurred as a result of increased receipts during fiscal year 2013. The fund balance in School Wide Building Program Fund increased \$55,667 due to an increase in transfers in. The Bond Retirement Fund had a decrease of \$164 in fund balance. The fund balance in the Classroom Facilities Maintenance Fund increased \$29,208 due to receipts exceeding disbursements for fiscal year 2013.

The District should remain stable in fiscal years 2014 through 2015. However, projections beyond fiscal year 2015 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.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)*

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During the course of fiscal year 2013, 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 supervisor's 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.

For the General Fund, the final budget basis receipts were \$15,244,397 which agrees to the original budget estimates. For the General Fund, the final budget basis disbursements were \$15,818,464 representing a \$55,221 increase from the original budget estimates of \$15,763,243. This difference was mostly the result of a \$40,796 increase to capital outlay.

**Debt Administration**

At June 30, 2013 the District had \$5,625,000 in general obligation debt outstanding with \$390,000 due within one year. Table 4 summarizes loans and bonds outstanding for fiscal year 2013 compared to fiscal year 2012.

Table 4  
**Outstanding Debt, Governmental Activities at Year End**

Purpose	<u>Governmental Activities</u>	
	2013	2012
Asbestos Removal Loan	\$0	\$4,459
General Obligation Bonds	2,140,000	2,140,000
Refunding Bonds	2,460,000	2,742,970
Energy Conservation Notes	1,025,000	1,090,000
Total	<u>\$5,625,000</u>	<u>\$5,977,429</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, the District has remained financially stable over the past few 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. Although the District has continued to keep spending in line with revenues, this must continue if the District hopes to remain on firm financial footing.



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
(Unaudited)*

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**State Budget:**

Externally, the District is largely dependent on State and Federal funding sources (nearly 68 percent of the District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The District has seen enrollment stay relatively flat in recent years. The severe economic crisis also raises concern as a district that is so reliant on State Revenue.

**Local Valuations:**

New residential real estate growth is expected to slow as compared to prior years. However, the district did undergo a reappraisal in 2008 for Athens County, which added approximately 10% to residential values for 2009. Valuation growth drives local tax collection growth. However, it has an opposite effect on unrestricted state aid disbursements due to the 23 mill charge off included in the current funding formula.

**Staffing & Negotiated Increases:**

The Board has a contract with the certified staff covering the period from September 1, 2011 to August 31, 2013. The contract specifies a 1.25% increases for Fiscal Year 2012 and 2013. The Board extended the same annual increase to the other certificated staff employed by the District. The Board ratified a contract with the classified staff covering the period from July 1, 2012 to June 30, 2013. The classified contract specifies a 1.25% base salary increase. The Board extended the same increase to the other non-certificated employees of the District.

**Health Insurance:**

Currently, all employers are faced with the challenge of sky-rocketing health insurance increases. Over the past few years, the district's increases in health insurance costs have averaged about 8.5%. There are a number of possible approaches to mitigate the large increases anticipated. A couple of these would include: reducing benefit levels, increasing co-pay and deductible, or do nothing and absorb the increases in health insurance but consider reductions to projected base salary increases (for example, instead of a base salary increase of 3%, consider a lesser increase in lieu of maintaining current health insurance provisions). In fiscal year 2010, OAPSE accepted a new health insurance plan with an increase in co-pays. The ALEA accepted the same change to their plan in fiscal year 2012.

**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 Aaron Schirm, Treasurer of the Alexander Local School District, 6091 Ayers Road, Albany, Ohio 45710.

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**ALEXANDER LOCAL SCHOOL DISTRICT**

*Statement of Net Position - Cash Basis*

*June 30, 2013*

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	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,895,954</u>
<i>Total Assets</i>	<u><u>\$6,895,954</u></u>
<b><u>Net Position:</u></b>	
<i>Restricted for:</i>	
Capital Projects	\$377,639
Debt Service	1,421,710
Other Purposes	918,691
Unrestricted	<u>4,177,914</u>
<i>Total Net Position</i>	<u><u>\$6,895,954</u></u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2013*

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b><u>Governmental Activities:</u></b>				
<i>Instruction:</i>				
Regular	\$6,049,185	\$1,047,752	\$459,394	(\$4,542,039)
Special	2,168,083	0	578,434	(1,589,649)
Vocational	141,457	0	0	(141,457)
Student Intervention Services	317	0	0	(317)
Other	1,413,026	0	0	(1,413,026)
<i>Support Services:</i>				
Pupils	856,802	1,479	7,748	(847,575)
Instructional Staff	716,564	0	200,616	(515,948)
Board of Education	50,662	0	0	(50,662)
Administration	1,097,978	0	0	(1,097,978)
Fiscal	436,439	0	0	(436,439)
Operation and Maintenance of Plant	1,399,105	0	0	(1,399,105)
Pupil Transportation	1,469,642	0	0	(1,469,642)
Central	210,295	0	5,400	(204,895)
<i>Operation of Non-Instructional Services:</i>				
Food Service	776,330	209,643	424,095	(142,592)
Other	3,670	0	0	(3,670)
Extracurricular Activities	391,593	83,902	7,602	(300,089)
Capital Outlay	48,553	0	0	(48,553)
<i>Debt Service:</i>				
Principal Retirement	394,459	0	0	(394,459)
Interest and Fiscal Charges	259,585	0	0	(259,585)
<b>Total Governmental Activities</b>	<b>\$17,883,745</b>	<b>\$1,342,776</b>	<b>\$1,683,289</b>	<b>(14,857,680)</b>
<b><u>General Receipts:</u></b>				
<i>Property Taxes Levied for:</i>				
General Purposes				4,013,778
Debt Service				496,901
Capital Outlay				67,355
Grants and Entitlements not Restricted to Specific Programs				10,379,070
Investment Earnings				90,592
Proceeds from Sale of Capital Assets				13,442
Insurance Recoveries				1,595
Miscellaneous				44,288
<b>Total General Receipts</b>				<b>15,107,021</b>
Change in Net Position				249,341
<i>Net Position at Beginning of Year, As Restated (See Note 3)</i>				6,646,613
<i>Net Position at End of Year</i>				<b>\$6,895,954</b>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2013

	General	Classroom Facilities Maintenance	School Wide Building Program	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>						
Equity in Pooled Cash and Cash Equivalents	\$4,128,357	\$969,354	\$0	\$1,421,710	\$336,793	\$6,856,214
Due From Other Funds	345,277	0	0	0	0	345,277
<i>Total Assets</i>	<u>\$4,473,634</u>	<u>\$969,354</u>	<u>\$0</u>	<u>\$1,421,710</u>	<u>\$336,793</u>	<u>\$7,201,491</u>
<b><u>Liabilities:</u></b>						
Due to Other Funds	\$0	\$0	\$345,277	\$0	\$0	\$345,277
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>345,277</u>	<u>0</u>	<u>0</u>	<u>345,277</u>
<b><u>Fund Balances:</u></b>						
Nonspendable	1,306	0	0	0	0	1,306
Restricted	0	969,354	0	1,421,710	424,643	2,815,707
Assigned	281,535	0	0	0	0	281,535
Unassigned	4,190,793	0	(345,277)	0	(87,850)	3,757,666
<i>Total Fund Balances</i>	<u>4,473,634</u>	<u>969,354</u>	<u>(345,277)</u>	<u>1,421,710</u>	<u>336,793</u>	<u>6,856,214</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,473,634</u>	<u>\$969,354</u>	<u>\$0</u>	<u>\$1,421,710</u>	<u>\$336,793</u>	<u>\$7,201,491</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 Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2013

	General	Classroom Facilities Maintenance	School Wide Building Program	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>						
Property Taxes	\$4,013,778	\$67,355	\$0	\$496,901	\$0	\$4,578,034
Intergovernmental	10,262,082	50,536	0	66,452	1,665,197	12,044,267
Interest	84,622	0	0	0	5,970	90,592
Tuition and Fees	1,046,827	0	0	0	0	1,046,827
Rent	925	0	0	0	0	925
Extracurricular Activities	1,479	0	0	0	83,902	85,381
Charges for Services	0	0	0	0	209,643	209,643
Gifts and Donations	10,490	0	0	0	7,602	18,092
Miscellaneous	43,788	0	0	0	500	44,288
<b>Total Receipts</b>	<b>15,463,991</b>	<b>117,891</b>	<b>0</b>	<b>563,353</b>	<b>1,972,814</b>	<b>18,118,049</b>
<b><u>Disbursements:</u></b>						
<i>Current:</i>						
<i>Instruction:</i>						
Regular	3,083,967	0	2,836,206	0	132,422	6,052,595
Special	1,034,575	0	869,692	0	263,816	2,168,083
Vocational	141,457	0	0	0	0	141,457
Student Intervention Services	317	0	0	0	0	317
Other	1,413,026	0	0	0	0	1,413,026
<i>Support Services:</i>						
Pupils	794,841	0	60,561	0	1,400	856,802
Instructional Staff	499,474	0	165,682	0	51,408	716,564
Board of Education	50,662	0	0	0	0	50,662
Administration	813,276	196	282,962	1,544	0	1,097,978
Fiscal	420,083	1,897	0	14,459	0	436,439
Operation and Maintenance of Plant	1,312,515	86,590	0	0	0	1,399,105
Pupil Transportation	1,469,642	0	0	0	0	1,469,642
Central	204,895	0	0	0	5,400	210,295
Operation of Non-Instructional Services	3,670	0	0	0	776,330	780,000
Extracurricular Activities	250,495	0	0	0	141,098	391,593
Capital Outlay	44,966	0	0	0	3,587	48,553
<i>Debt Service:</i>						
Principal Retirement	0	0	0	394,459	0	394,459
Interest and Fiscal Charges	0	0	0	259,585	0	259,585
<b>Total Disbursements</b>	<b>11,537,861</b>	<b>88,683</b>	<b>4,215,103</b>	<b>670,047</b>	<b>1,375,461</b>	<b>17,887,155</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>3,926,130</b>	<b>29,208</b>	<b>(4,215,103)</b>	<b>(106,694)</b>	<b>597,353</b>	<b>230,894</b>
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Capital Assets	13,442	0	0	0	0	13,442
Insurance Recoveries	1,595	0	0	0	0	1,595
Transfers In	0	0	4,270,770	106,530	165,000	4,542,300
Transfers Out	(3,832,689)	0	0	0	(709,611)	(4,542,300)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,817,652)</b>	<b>0</b>	<b>4,270,770</b>	<b>106,530</b>	<b>(544,611)</b>	<b>15,037</b>
<b>Net Change in Fund Balances</b>	<b>108,478</b>	<b>29,208</b>	<b>55,667</b>	<b>(164)</b>	<b>52,742</b>	<b>245,931</b>
<b>Fund Balances at Beginning of Year</b>	<b>4,365,156</b>	<b>940,146</b>	<b>(400,944)</b>	<b>1,421,874</b>	<b>284,051</b>	<b>6,610,283</b>
<b>Fund Balances at End of Year</b>	<b>\$4,473,634</b>	<b>\$969,354</b>	<b>(\$345,277)</b>	<b>\$1,421,710</b>	<b>\$336,793</b>	<b>\$6,856,214</b>

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, 2013*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>Receipts:</u></b>				
Property Taxes	\$3,882,700	\$3,962,700	\$4,013,778	\$51,078
Intergovernmental	10,372,310	10,295,397	10,262,082	(33,315)
Interest	79,590	79,000	84,622	5,622
Tuition and Fees	891,612	885,000	1,041,750	156,750
Rent	925	925	925	0
Gifts and Donations	1,000	1,000	4,142	3,142
Miscellaneous	16,260	16,125	34,552	18,427
<i>Total Receipts</i>	<u>15,244,397</u>	<u>15,240,147</u>	<u>15,441,851</u>	<u>201,704</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,586,836	3,589,976	3,083,094	506,882
Special	1,077,503	1,077,503	1,034,575	42,928
Vocational	140,198	140,198	141,457	(1,259)
Student Intervention Services	0	4,335	317	4,018
Other	1,445,935	1,441,600	1,413,026	28,574
<i>Support Services:</i>				
Pupils	694,870	695,355	775,278	(79,923)
Instructional Staff	476,611	476,611	501,713	(25,102)
Board of Education	88,450	88,450	50,662	37,788
Administration	881,241	882,286	815,355	66,931
Fiscal	399,810	401,014	422,407	(21,393)
Operation and Maintenance of Plant	1,406,150	1,414,591	1,357,884	56,707
Pupil Transportation	1,420,654	1,420,764	1,653,709	(232,945)
Central	203,875	203,875	204,895	(1,020)
Operation of Non-Instructional Services	16,150	16,150	3,670	12,480
Extracurricular Activities	216,960	216,960	250,495	(33,535)
Capital Outlay	208,000	248,796	44,966	203,830
<i>Total Disbursements</i>	<u>12,263,243</u>	<u>12,318,464</u>	<u>11,753,503</u>	<u>564,961</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,981,154	2,921,683	3,688,348	766,665
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	0	4,250	13,442	9,192
Insurance Recoveries	0	0	1,595	1,595
Transfers Out	(3,500,000)	(3,500,000)	(3,832,689)	(332,689)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,500,000)</u>	<u>(3,495,750)</u>	<u>(3,817,652)</u>	<u>(321,902)</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(518,846)	(574,067)	(129,304)	444,763
Fund Balance at Beginning of Year	4,264,882	4,264,882	4,264,882	0
Prior Year Encumbrances Appropriated	55,221	55,221	55,221	0
Fund Balance at End of Year	<u>\$3,801,257</u>	<u>\$3,746,036</u>	<u>\$4,190,799</u>	<u>\$444,763</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)  
Classroom Facilities Maintenance Fund  
For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Property Taxes	\$66,515	\$66,515	\$67,355	\$840
Intergovernmental	51,217	51,217	50,536	(681)
<i>Total Receipts</i>	117,732	117,732	117,891	159
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
<i>Support Services:</i>				
Administration	250	250	196	54
Fiscal	1,700	1,700	1,897	(197)
Operation and Maintenance of Plant	36,000	228,000	208,290	19,710
<i>Total Disbursements</i>	37,950	229,950	210,383	19,567
<i>Excess of Receipts Over (Under) Disbursements</i>	79,782	(112,218)	(92,492)	19,726
Fund Balance at Beginning of Year	940,146	940,146	940,146	0
Prior Year Encumbrances Appropriated	0	0	0	0
Fund Balance at End of Year	\$1,019,928	\$827,928	\$847,654	\$19,726

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)  
School Wide Building Program Fund  
For the Fiscal Year Ended June 30, 2013*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>Receipts</u></b>	\$0	\$0	\$0	\$0
<b><u>Expenditures:</u></b>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	2,965,365	3,060,086	2,836,289	223,797
Special	700,317	763,315	869,692	(106,377)
<i>Support Services:</i>				
Pupils	77,109	77,109	60,561	16,548
Instructional Staff	124,520	149,520	165,682	(16,162)
Administration	294,315	294,315	282,962	11,353
<i>Total Expenditures</i>	<u>4,161,626</u>	<u>4,344,345</u>	<u>4,215,186</u>	<u>129,159</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,161,626)</u>	<u>(4,344,345)</u>	<u>(4,215,186)</u>	<u>129,159</u>
<b><u>Other Financing Sources and Uses:</u></b>				
Transfers In	4,271,292	4,271,292	4,270,770	(522)
<i>Total Other Financing Sources (Uses)</i>	<u>4,271,292</u>	<u>4,271,292</u>	<u>4,270,770</u>	<u>(522)</u>
Net Change in Fund Balances	109,666	(73,053)	55,584	128,637
<i>Fund Balance at Beginning of Year</i>	(402,666)	(402,666)	(402,666)	0
<i>Prior Year Encumbrances Appropriated</i>	1,722	1,722	1,722	0
<i>Fund Balance at End of Year</i>	<u>(\$291,278)</u>	<u>(\$473,997)</u>	<u>(\$345,360)</u>	<u>\$128,637</u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Statement of Net Position - Cash Basis*

*Proprietary Funds*

*June 30, 2013*

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	<u>Governmental Activities</u> <u>Internal Service</u>
<b><u>Cash Assets:</u></b>	
<i>Current Cash Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$39,740</u>
<i>Total Cash Assets</i>	<u><u>\$39,740</u></u>
<b><u>Net Cash Position:</u></b>	
Unrestricted	<u>\$39,740</u>
<i>Total Net Cash Position</i>	<u><u>\$39,740</u></u>

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Cash Receipts, Cash  
Disbursements and Change in Net Cash Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2013*

	Governmental Activities
	Internal Service
<b><u>Operating Cash Receipts:</u></b>	
Other	\$62,658
<i>Total Operating Cash Receipts</i>	62,658
<b><u>Operating Cash Disbursements:</u></b>	
Other	59,248
<i>Total Operating Cash Disbursements</i>	59,248
<i>Operating Income</i>	3,410
<i>Net Cash Position at Beginning of Year, As Restated (see Note 3)</i>	36,330
<i>Net Cash Position at End of Year</i>	\$39,740

See accompanying notes to the basic financial statements.

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2013*

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	<u>Agency</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$64,041</u>
<i>Total Assets</i>	<u>64,041</u>
<b><u>Liabilities:</u></b>	
Due to Students	<u>64,041</u>
<i>Total Liabilities</i>	<u><u>\$64,041</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, 2013*

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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 82 classified and 110 teaching personnel and 7 administrative employees providing education to approximately 1,642 students.

**Reporting Entity**

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure 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 the District, this includes general operations, food service and student related activities.

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 16, 17 and 18 to the basic financial statements.

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

The financial statements of the 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 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.

**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.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

**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 disbursements and program receipts for each program or function of the District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts 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 three categories: governmental, proprietary 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.

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.

**Classroom Facilities Maintenance Fund** - This fund is used to account for the proceeds of a property tax levy for the maintenance of facilities.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

**School Wide Building Program Fund** - This fund is used to pool Federal, State and local funds in order to upgrade the overall instructional program of a school building where at least 40 percent of the children are from low-income families.

**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.

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

**Proprietary Funds**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in a private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

**Internal Service Fund** – This fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund accounts for the District's workers compensation program.

**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 funds are agency funds which are used to account for student managed activities and workers compensation holdings.

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus, and measures receipts and disbursements 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 receipts, disbursements and changes in cash basis fund balance reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements 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 include a reconciliation, if necessary, 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, 2013*

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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, proprietary fund and fiduciary fund financial statements are prepared using the 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.

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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 amounted to \$84,622, which includes \$31,001 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. The District first applies restricted assets for purposes for which both restricted and unrestricted assets are available.

**G. Inventory and Prepaid Items**

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

**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 cash basis of accounting.



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

**J. Long-term Obligations**

These 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 Position**

Net position represents the difference between assets and liabilities. Net position 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 government-wide statement of net position reports \$2,718,040 of restricted net position, of which none is restricted by enabling legislation.

The District applies restricted resources when a disbursement is paid for purposes for which both restricted and unrestricted net assets are available.

**L. Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**Committed** – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

**Unassigned** – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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.

**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 receipts 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 2013.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated receipts. 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.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB No. 61, “The Financial Reporting Entity: Omnibus”, GASB No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” and GASB No. 63, “Financial Reporting of Deferred Outflows of Resourced, Deferred Inflows of Resources, and Net Position”. The implementation of GASB Statement No. 60, 61, 62 and 63 had no effect on the prior period fund balances of the District.

**B. Restatement of Net Position**

During 2013, it was determined that the Workers Compensation Fund needed to be reclassified from an Agency Fund to an Internal Service Fund, which had the following effects on net position as they were previously reported.

	<u>Internal Service Fund</u>	<u>Governmental Activities</u>
Net Position, June 30, 2012	\$0	\$6,610,283
Change in Fund Structure	<u>36,330</u>	<u>36,330</u>
Adjusted Net Position, June 30, 2012	<u>\$36,330</u>	<u>\$6,646,613</u>

**C. Compliance**

Ohio Administrative Code Section 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, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 - BUDGETARY BASIS FUND BALANCES**

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual (budgetary basis) presented for the general fund and major special revenue funds is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash) and some funds are included in the general fund on the cash basis but not on the budgetary basis.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 4 - BUDGETARY BASIS FUND BALANCES- (Continued)**

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statement:

	Net Change in Fund Cash Balance		
	General	Classroom Facilities Maintenance	School Wide Building Program
Cash basis	\$108,478	\$29,208	\$55,667
Encumbrances	(242,749)	(121,700)	(83)
<i>Prospective Difference:</i>			
Activity of Funds Reclassified for			
Reporting Purposes	4,967	0	0
Budget basis	<u><u>(\$129,304)</u></u>	<u><u>(\$92,492)</u></u>	<u><u>\$55,584</u></u>

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. These funds are excluded from the budgetary presentation of the General Fund.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

Public depositories must give security for all public funds on deposit. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 5 - 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 or Ohio local governments;
- (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 bankers 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) Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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."

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover deposits of collateral securities that are in the possession of an outside party. All deposits are collateralized with eligible securities. 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. The District's investment policy does not address custodial credit risk for deposits.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

At June 30, 2013, the carrying amount of all District deposits was \$6,959,995. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2013, \$7,462,338 of the District's bank balance of \$7,712,338 was exposed to custodial risk as discussed above while \$250,000 was covered by Federal Deposit Insurance. The \$7,462,338 exposed to custodial risk was collateralized with securities held by the District or its agency in the District's name.

**NOTE 6 - PROPERTY TAXES**

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

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.

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

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 2013 taxes were collected are:

	2012 Second - Half Collections		2013 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$154,168,460	80.96%	\$155,581,230	80.98%
Public Utility Personal	<u>36,257,820</u>	<u>19.04%</u>	<u>36,532,660</u>	<u>19.02%</u>
Total Assessed Value	<u>\$190,426,280</u>	<u>100.00%</u>	<u>\$192,113,890</u>	<u>100.00%</u>
Total rate per \$1,000 of assessed valuation	\$37.47		\$37.47	

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 7 - 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 2013, the District contracted with Ohio School Plan for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverage's provided are as follows:

Building and Contents - replacement cost (\$5,000 deductible)	\$46,765,245
Automobile Liability - Single Limit	2,000,000
Uninsured Motorists :	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	2,000,000
Total Per Year	4,000,000
Public Official Bonds:	
Treasurer	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 2013, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), a group purchasing pool (Note 18). 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 of CompManagement Inc., provides administrative, cost control and actuarial services to the Plan.

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS** – (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal years ending June 30, 2013, the allocation to pension and death benefits is 13 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$426,305, \$362,888, and \$411,471, respectively; 53.91 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal year 2012 and 2011.

**State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS** – (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money amount various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to healthcare coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$921,278, \$900,848 and \$986,294, respectively; 84.10 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2012 Comprehensive Annual Financial Report will be available after Dec. 17, 2012.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS** – (Continued)

Additional information or copies of STRS Ohio's 2012 Comprehensive Annual Financial Report can be requested by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free 1-888-227-7787, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**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, 2013, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For 2013, this actuarially required allocation is 0.74. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,371, \$3,270 and \$3,127, respectively; 53.91 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal year 2012 and 2011.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 9 - POSTEMPLOYMENT BENEFITS** – (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16 percent. An addition health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$69,252, \$67,279 and \$76,390, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**State Teachers Retirement System**

Plan Description – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**NOTE 10 - EMPLOYEE BENEFITS**

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$70,868, \$69,926, and \$70,450, respectively; 84.10 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal year 2012 and 2011.

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

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 11 - LONG-TERM OBLIGATIONS**

Changes in the long-term obligations of the District during the 2013 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2012	Additions	Deductions	Principal Outstanding at June 30, 2013	Amount Due In One Year
<i>Governmental Activities:</i>							
Asbestos Removal Loan	1995	N/A	\$4,459	\$0	\$4,459	\$0	\$0
General Obligation Bonds	2001	3.50- 5.60%	2,140,000	0	0	2,140,000	310,000
Refunding Bonds		4.00-					
Term Bonds	2007	4.25%	2,460,000	0	0	2,460,000	10,000
Capital Appreciation Bonds			74,997	0	74,997	0	0
Accretion on Capital Appreciation Bonds			207,973	42,030	250,003	0	0
Energy Conservation Notes	2010	3.71- 4.18%	1,090,000	0	65,000	1,025,000	70,000
Total Governmental Activities Long-Term Obligations			<u>\$5,977,429</u>	<u>\$42,030</u>	<u>\$394,459</u>	<u>\$5,625,000</u>	<u>\$390,000</u>

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

On August 15, 2007, the District issued \$2,654,997 refunding bonds for the purpose of advance refunding a portion of the 2001 General Obligation Bonds. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$92,310 and a reduction of \$91,113 in future debt service payments. The refunding bonds are retired through the Bond Retirement Debt Service Fund using tax revenues.

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds matured in fiscal year 2013. The maturity amount of the bonds is \$325,000. For fiscal year 2013, \$42,030 was accreted on the capital appreciation bonds.

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

The District's voted legal debt margin was \$13,086,960 with an unvoted debt margin of \$192,114 at June 30, 2013.

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**NOTE 11 - LONG-TERM OBLIGATIONS** - (Continued)

Principal and interest requirements to retire the general obligation bonds at June 30, 2013 are as follows:

Year Ending June 30	General Obligation Bonds		Refunding Bonds	
	Principal	Interest	Term Bonds Principal	Interest
2014	\$310,000	\$111,160	\$10,000	\$102,475
2015	330,000	93,240	10,000	102,075
2016	345,000	74,340	10,000	101,675
2017	365,000	54,460	15,000	101,175
2018	385,000	33,460	15,000	100,575
2019-2023	405,000	11,340	1,885,000	348,243
2024	0	0	515,000	10,944
Total	<u>\$2,140,000</u>	<u>\$378,000</u>	<u>\$2,460,000</u>	<u>\$867,162</u>

  

Year Ending June 30	Energy Conservation Notes		Totals	
	Principal	Interest	Principal	Interest
2014	\$70,000	\$35,742	\$390,000	\$249,377
2015	75,000	35,002	415,000	230,317
2016	75,000	32,203	430,000	208,218
2017	80,000	29,923	460,000	185,558
2018	80,000	27,162	480,000	161,197
2019-2023	440,000	89,923	2,730,000	449,506
2024-2025	205,000	6,433	720,000	17,377
Total	<u>\$1,025,000</u>	<u>\$256,388</u>	<u>\$5,625,000</u>	<u>\$1,501,550</u>

**ALEXANDER LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 12 – FUND BALANCE**

As of June 30, 2013, fund balances are composed of the following:

	General	Classroom Facilities Maintenance	School Wide Building Program	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<i>NonSpendable:</i>						
Unclaimed Monies	\$1,306	\$0	\$0	\$0	\$0	\$1,306
<i>Restricted:</i>						
<i>Special Revenues:</i>						
Facilities Maintenance	0	969,354	0	0	0	969,354
Food Services	0	0	0	0	9,398	9,398
Local Grants	0	0	0	0	19,442	19,442
State Grants	0	0	0	0	6	6
Federal Grants	0	0	0	0	2	2
Debt Service	0	0	0	1,421,710	0	1,421,710
Capital Projects	0	0	0	0	377,639	377,639
Athletics/Band	0	0	0	0	18,156	18,156
<i>Assigned:</i>						
<i>Encumbrances for:</i>						
Pupils	6,671	0	0	0	0	6,671
Instructional Staff	2,239	0	0	0	0	2,239
Administration	2,079	0	0	0	0	2,079
Fiscal	2,324	0	0	0	0	2,324
Operation & Maintenance of Plant	45,369	0	0	0	0	45,369
Pupil Transportation	184,067	0	0	0	0	184,067
Uniform School Supplies	15,893	0	0	0	0	15,893
Public School Support	22,893	0	0	0	0	22,893
<i>Unassigned</i>	4,190,793	0	(345,277)	0	(87,850)	3,757,666
<b>Total Fund Balances</b>	<b>\$4,473,634</b>	<b>\$969,354</b>	<b>(\$345,277)</b>	<b>\$1,421,710</b>	<b>\$336,793</b>	<b>\$6,856,214</b>

**NOTE 13 - INTERFUND ACTIVITY**

During fiscal year 2013, interfund transfers were as follows:

Transfers From	Transfers To			
	School Wide Building Program	Bond Retirement	Nonmajor Special Revenue	Total
General	\$3,561,159	\$106,530	\$165,000	\$3,832,689
Nonmajor Special Revenue	709,611	0	0	709,611
<b>Total</b>	<b>\$4,270,770</b>	<b>\$106,530</b>	<b>\$165,000</b>	<b>\$4,542,300</b>

Transfers are used to (1) move receipts 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 receipts 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, 2013*

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**NOTE 14 - STATUTORY SET-ASIDES**

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2013:

	<u>Capital Improvements</u>
Set-Aside Balance as of July 1, 2013	\$0
Current Year Set-Aside Requirement	270,033
Current Year Offset	(67,355)
Qualifying Disbursements	<u>(553,668)</u>
Total	<u>(350,990)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$350,990)</u>
Set-Aside Reserve Balance as of June 30, 2013	<u><u>\$0</u></u>

Excess of qualified expenditures for capital improvements do not carry forward.

**NOTE 15 – ENCUMBRANCE COMMITMENTS**

At June 30, 2013, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$242,749
Classroom Facilities Maintenance	121,700
School Wide Building Program	83
<u>Nonmajor Funds</u>	
Lunchroom	1,395
Athletics and Bands	4,013
<i>Total Nonmajor Funds</i>	<u>5,408</u>
Total Encumbrances	<u><u>\$369,940</u></u>

**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**Southeastern Ohio Voluntary Education Cooperative**

The Southeast Ohio Voluntary Education Cooperative (SEOVEC), is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC has 28 participants consisting of 25 school districts and 3 educational service centers. 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. Athens-Meigs Educational Service Center of Athens County serves as the fiscal agent. 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 \$60,531 in fiscal year 2013.

**Southeastern Ohio Special Education Regional Resource Center**

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

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Alexander Local School District's Superintendent is an alternate on the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 21 Birge Drive, Chauncey, Ohio 45719.

**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 2013, 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.



**ALEXANDER LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 17 - 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 is elected from members of the District's Community. The District paid \$100 to the Alexander Future Foundation in 2013.

**NOTE 18 - GROUP PURCHASING POOL**

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

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

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

**NOTE 19 - 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, 2013.

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**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Cash Assistance:				
School Breakfast Program	2012/2013	10.553	\$ 113,133	\$ 113,133
National School Lunch Program	2012/2013	10.555	301,447	301,447
Cash Assistance Subtotal			<u>414,580</u>	<u>414,580</u>
Total Child Nutrition Cluster			<u>414,580</u>	<u>414,580</u>
Total U.S. Department of Agriculture			414,580	414,580
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2012	84.010	159,062	107,469
	2013		392,758	462,870
Total Title I Grants to Local Educational Agencies			<u>551,820</u>	<u>570,339</u>
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	7,455	7,416
Total ARRA - Title I Grants to Local Educational Agencies			<u>7,455</u>	<u>7,416</u>
Total Title I Cluster			559,275	577,755
Special Education Cluster:				
Special Education - Grants to States	2012	84.027	97,761	57,609
	2013		286,132	303,869
Total Special Education - Grants to States			<u>383,893</u>	<u>361,478</u>
Special Education - Preschool Grants	2012	84.173	3,897	2,882
	2013		10,240	10,240
Total Special Education - Preschool Grants			<u>14,137</u>	<u>13,122</u>
Total Special Education Cluster			398,030	374,600
Education Technology State Grants	2012	84.318	1,029	760
Rural Education	2012	84.358	10,051	7,423
	2013		23,188	23,187
Total Rural Education			<u>33,239</u>	<u>30,610</u>
Improving Teacher Quality State Grants	2012	84.367	28,984	20,534
	2013		73,649	73,647
Total Improving Teacher Quality State Grants			<u>102,633</u>	<u>94,181</u>
ARRA - Race To the Top	2013	84.395	1,400	1,400
Education Jobs Fund	2012	84.410	125,095	78,353
Total U.S. Department of Education			<u>1,220,701</u>	<u>1,157,659</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 1,635,281</u></b>	<b><u>\$ 1,572,239</u></b>

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

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the District's federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alexander Local School District, Athens County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 4, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***Compliance and Other Matters***

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

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

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

***Purpose of this Report***

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 4, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

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

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

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

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

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

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

### ***Opinion on Each Major Federal Program***

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

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

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

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

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 4, 2013



**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

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

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Cluster – CFDA #'s 84.010 and 84.389</li> <li>• Special Education Cluster – CFDA #'s 84.027 and 84.173</li> </ul>	
<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>	No

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

**FINDING NUMBER 2013-001**

**Noncompliance**

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.

ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013  
(Continued)

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

**FINDING NUMBER 2013-001 (Continued)**

**Noncompliance – Ohio Rev. Code Section 117.38 (Continued)**

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 its annual financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response:** The District has chosen to use the most cost-effective financial reporting system available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**ALEXANDER LOCAL SCHOOL DISTRICT  
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2012-01	Ohio Admin. Code Section 117-2-03 since the District does not file its annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected: Repeated in the current Schedule of Findings as 2013-001.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Alexander Local School District  
Athens County  
6091 Ayers Road  
Albany, Ohio 45701

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on July 18, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 4, 2013

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