



Mary Taylor, CPA
Auditor of State

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis	13
Statement of Activities – Cash Basis	14
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	15
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	16
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	17
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds.....	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	39
Notes to the Schedule of Federal Awards Receipts and Expenditures	40
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43
Schedule of Findings – OMB Circular A-133 § .505	45
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	48

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alexander Local School District, Athens County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code 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, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2008, and the respective changes in cash financial position thereof and the budgetary comparison of the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

January 16, 2009

ALEXANDER LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

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, 2008. 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.

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- ▶ The net assets of the District at June 30, 2008 is \$5,483,689. This balance was comprised of a \$2,656,106 balance in net asset amounts restricted for specific purposes and a balance of \$2,827,583 in unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$1,272,706, which represents a 30.22 percent increase from 2007.
- ▶ General receipts accounted for \$17,222,643 or 82.17 percent of all receipts. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$3,738,270 or 17.83 percent of total receipts of \$20,960,913.
- ▶ The District had \$19,688,207 in disbursements related to governmental activities; \$3,738,270 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 \$17,222,643 were used to provide for the remainder of these programs.
- ▶ The District recognizes two major governmental funds: the General 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 \$14,422,913 in receipts and \$13,434,084 in disbursements in fiscal year 2008.

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, 2008

(Unaudited)

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include assets using the 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 assets presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting 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 assets changed during the recent fiscal year. All changes in net assets 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 statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General and 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 two categories: governmental and fiduciary funds.

ALEXANDER LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

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.

Fiduciary Fund

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

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2008 compared to fiscal year 2007:

Table 1
Net Assets at Year End

	<u>Governmental Activities</u>	
	2008	2007
<u>Assets:</u>		
Cash and Cash Equivalents	\$5,107,265	\$3,534,790
Restricted Cash	376,424	676,193
<i>Total Assets</i>	\$5,483,689	\$4,210,983
<u>Net Assets:</u>		
Restricted	\$2,656,106	\$2,338,660
Unrestricted	2,827,583	1,872,323
<i>Total Net Assets</i>	\$5,483,689	\$4,210,983

ALEXANDER LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

Cash and cash equivalents increased \$1,572,475 from fiscal year 2007 due to the receipt of additional grants, increased interest rates on invested funds, and conservative spending.

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

The remaining balance of \$2,656,106 is restricted net assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2008 and comparisons to fiscal year 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
<u>Receipts:</u>		
<i>Program Receipts:</i>		
Charges for Services and Sales	\$1,135,572	\$1,097,332
Operating Grants and Contributions	2,602,698	2,714,150
<i>General Receipts:</i>		
Property Taxes	4,442,920	4,438,007
Unrestricted Grants and Entitlements	9,815,302	9,308,526
Investment Earnings	172,558	154,014
Gain on Sale of Capital Assets	0	2,181
Refunding Bonds Issued	2,654,997	0
Premium on Refunding Bonds Issued	1,197	0
Miscellaneous	135,669	110,576
<i>Total Receipts</i>	<u>20,960,913</u>	<u>17,824,786</u>
<u>Disbursements:</u>		
<i>Program Disbursements:</i>		
<i>Instruction:</i>		
Regular	6,004,996	5,871,695
Special	1,672,720	1,603,314
Vocational	110,111	141,599
Other	1,568,743	1,457,248

(Continued)

ALEXANDER LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

Table 2
Changes in Net Assets

	<u>2008</u>	<u>2007</u>
<i>Support Services:</i>		
Pupils	725,777	747,942
Instructional Staff	949,077	929,452
Board of Education	53,299	77,739
Administration	1,114,956	1,296,628
Fiscal	375,780	362,803
Operation and Maintenance of Plant	1,474,381	1,447,269
Pupil Transportation	1,186,553	1,331,098
Central	228,401	239,589
<i>Operation of Non-Instructional Services:</i>		
Food Service	596,317	595,604
Other	78,606	64,994
Extracurricular Activities	293,021	350,781
Capital Outlay	64,105	147,582
Principal Retirement	279,032	296,029
Current Refunding	2,654,997	0
Interest and Fiscal Charges	<u>257,335</u>	<u>319,399</u>
<i>Total Disbursements</i>	<u>19,688,207</u>	<u>17,280,765</u>
<i>Change in Net Assets</i>	1,272,706	544,021
Net Assets – Beginning of Year	<u>4,210,983</u>	<u>3,666,962</u>
Net Assets – End of Year	<u><u>\$5,483,689</u></u>	<u><u>\$4,210,983</u></u>

The most significant program disbursements for the District are Regular Instruction, Special Instruction, Other Instruction, Operation and Maintenance of Plant, Pupil Transportation, and Administration. These programs account for 66.15 percent of the total governmental activities. Regular Instruction, which accounts for 30.50 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 8.50 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Other Instruction, which represents 7.97 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 7.49 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Pupil Transportation, which represents 6.03 percent of the total cost, represents costs associated with transporting students to and from school, as well as to activities. Administration, which represents 5.66 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, 2008

(Unaudited)

As noted previously, the net assets for the governmental activities increased \$1,272,706 or 30.22 percent. This is a change from last year when net assets increased \$544,021 or 14.84 percent. Total receipts increased \$3,136,127 or 17.59 percent from last year and disbursements increased \$2,407,442 or 13.93 percent over last year.

The District had program receipts decreases of \$73,212, and increases in general receipts of \$3,209,339. The decrease in program receipts is mostly due to the District receiving additional grants during fiscal year 2007. There were two significant increases in general receipts. Unrestricted grants and entitlements increased \$506,776 or 5.44 percent due to the District receiving additional grants during fiscal year 2008; and refunding bonds issued increased \$2,654,997 due to the District issuing refunding bonds during the year.

The total disbursements for governmental activities increased due to the District's current refunding of \$2,654,997 of general obligation bonds.

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 68.02 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 21.20 percent and intergovernmental receipts made up 59.24 percent of the total receipts for the governmental activities in fiscal year 2008.

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 2008, the District received \$9,096,850 through the State's foundation program, which represents 43.40 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 47.52 percent of governmental program disbursements. Support services disbursements make up 31.02 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 2008 and comparisons to fiscal year 2007. 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, 2008
(Unaudited)*

Table 3
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
<i>Program Disbursements:</i>				
Instruction	\$9,356,570	\$7,151,183	\$9,073,856	\$6,960,912
Support Services	6,108,224	5,235,647	6,432,520	5,324,733
Operation of Non-Instructional Services	674,923	69,258	660,598	132,604
Extracurricular Activities	293,021	238,380	350,781	288,024
Capital Outlay	64,105	64,105	147,582	147,582
Principal Retirement	279,032	279,032	296,029	296,029
Current Refunding	2,654,997	2,654,997	0	0
Interest and Fiscal Charges	257,335	257,335	319,399	319,399
Total Disbursements	<u>\$19,688,207</u>	<u>\$15,949,937</u>	<u>\$17,280,765</u>	<u>\$13,469,283</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 \$21,026,817 and total disbursements and other financing uses of \$19,754,111.

Total governmental funds fund balance increased by \$1,272,706. The increase in fund balance for the year was most significant in the General Fund, where an increase of \$930,425 occurred as a result of the receipts exceeding disbursements during fiscal year 2008.

The District should remain stable in fiscal years 2009 through 2010. However, projections beyond fiscal year 2010 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of fiscal year 2008, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management. The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

ALEXANDER LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

For the General Fund, the final budget basis receipts were \$14,354,158 representing a \$129,958 increase from the original budget estimates of \$14,484,106. The final budget reflected a 0.90 percent decrease from the original budgeted amount. This difference was due to the fact that actual funding was less than originally anticipated, therefore receipt estimates were decreased throughout the year. For the General Fund, the final budget basis disbursements were \$14,516,920 representing an increase of \$22,724 from the original budget estimates of \$14,494,196. The final budget reflected a 0.16 percent increase from the original budgeted amount.

Debt Administration

At June 30, 2008, the District had \$5,875,572 in general obligation debt outstanding with \$279,029 due within one year. Table 4 summarizes loans and bonds outstanding for fiscal year 2008 compared to fiscal year 2007.

Table 4
Outstanding Debt, Governmental Activities at Year End

Purpose	Governmental Activities	
	2008	2007
Asbestos Removal Loan	\$40,575	\$49,604
General Obligation Bonds	3,210,000	6,105,000
Refunding Bonds	2,624,997	0
Total	<u>\$5,875,572</u>	<u>\$6,154,604</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 is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

As indicated in the preceding financial information, the District relies on the State's foundation program for nearly half of their funding. In the spring of 2002, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court now has two new Justices and the new court may be called upon to address the issue. At this time there can be no reasonable estimate of the decision or its impact on school funding.

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

ALEXANDER LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

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

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

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

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

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

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 78 percent of the District's real estate valuation.

Contacting the District's Financial Management

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

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ALEXANDER LOCAL SCHOOL DISTRICT

Statement of Net Assets - Cash Basis

June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,107,265
<u>Restricted Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>376,424</u>
<i>Total Assets</i>	<u><u>\$5,483,689</u></u>
<u>Net Assets:</u>	
<i>Restricted for:</i>	
Capital Projects	\$530,869
Debt Service	1,152,180
Other Purposes	973,057
Unrestricted	<u>2,827,583</u>
<i>Total Net Assets</i>	<u><u>\$5,483,689</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, 2008

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$6,004,996	\$825,199	\$925,041	(\$4,254,756)
Special	1,672,720	0	455,147	(1,217,573)
Vocational	110,111	0	0	(110,111)
Other	1,568,743	0	0	(1,568,743)
<i>Support Services:</i>				
Pupils	725,777	0	89,327	(636,450)
Instructional Staff	949,077	0	627,882	(321,195)
Board of Education	53,299	0	0	(53,299)
Administration	1,114,956	3,244	32,673	(1,079,039)
Fiscal	375,780	0	0	(375,780)
Operation and Maintenance of Plant	1,474,381	0	119,397	(1,354,984)
Pupil Transportation	1,186,553	0	0	(1,186,553)
Central	228,401	0	54	(228,347)
<i>Operation of Non-Instructional Services:</i>				
Food Service	596,317	252,488	353,177	9,348
Other	78,606	0	0	(78,606)
Extracurricular Activities	293,021	54,641	0	(238,380)
Capital Outlay	64,105	0	0	(64,105)
Principal Retirement	279,032	0	0	(279,032)
Current Refunding	2,654,997	0	0	(2,654,997)
Interest and Fiscal Charges	257,335	0	0	(257,335)
Total Governmental Activities	\$19,688,207	\$1,135,572	\$2,602,698	(15,949,937)
 <u>General Receipts:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				3,664,936
Debt Service				712,398
Capital Outlay				65,586
Grants and Entitlements not Restricted to Specific Programs				9,815,302
Refunding Bonds Issued				2,654,997
Premium on Refunding Bonds Issued				1,197
Investment Earnings				172,558
Miscellaneous				135,669
Total General Receipts				17,222,643
Change in Net Assets				1,272,706
<i>Net Assets at Beginning of Year</i>				4,210,983
<i>Net Assets at End of Year</i>				\$5,483,689

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, 2008

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,328,571	\$1,152,180	\$1,626,514	\$5,107,265
<i>Restricted Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	376,424	0	0	376,424
<i>Total Assets</i>	<u>\$2,704,995</u>	<u>\$1,152,180</u>	<u>\$1,626,514</u>	<u>\$5,483,689</u>
 <u>Fund Balances:</u>				
Reserved for Encumbrances	\$42,950	\$0	\$35,698	\$78,648
Reserved for Textbooks and Instructional Materials	376,424	0	0	376,424
<i>Unreserved, Undesignated, Reported in:</i>				
General Fund	2,285,621	0	0	2,285,621
Special Revenue Funds	0	0	1,063,817	1,063,817
Debt Service Fund	0	1,152,180	0	1,152,180
Capital Projects Funds	0	0	526,999	526,999
<i>Total Fund Balances</i>	<u>\$2,704,995</u>	<u>\$1,152,180</u>	<u>\$1,626,514</u>	<u>\$5,483,689</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, 2008

	General	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$3,664,936	\$712,398	\$65,586	\$4,442,920
Intergovernmental	9,683,061	82,764	2,644,864	12,410,689
Interest	170,638	0	1,920	172,558
Tuition and Fees	789,168	0	36,031	825,199
Extracurricular Activities	0	0	57,885	57,885
Charges for Services	0	0	252,488	252,488
Gifts and Donations	0	0	7,311	7,311
Miscellaneous	115,110	0	20,559	135,669
<i>Total Receipts</i>	<u>14,422,913</u>	<u>795,162</u>	<u>3,086,644</u>	<u>18,304,719</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,087,845	0	917,151	6,004,996
Special	1,256,308	0	416,412	1,672,720
Vocational	110,111	0	0	110,111
Other	1,541,485	0	27,258	1,568,743
<i>Support Services:</i>				
Pupils	623,404	0	102,373	725,777
Instructional Staff	305,016	0	644,061	949,077
Board of Education	53,299	0	0	53,299
Administration	1,032,548	2,670	79,738	1,114,956
Fiscal	354,357	19,639	1,784	375,780
Operation and Maintenance of Plant	1,435,556	0	38,825	1,474,381
Pupil Transportation	1,127,213	0	59,340	1,186,553
Central	208,978	0	19,423	228,401
Operation of Non-Instructional Services	67,398	0	607,525	674,923
Extracurricular Activities	212,452	0	80,569	293,021
Capital Outlay	18,114	0	45,991	64,105
<i>Debt Service:</i>				
Principal Retirement	0	279,032	0	279,032
Interest and Fiscal Charges	0	257,335	0	257,335
<i>Total Disbursements</i>	<u>13,434,084</u>	<u>558,676</u>	<u>3,040,450</u>	<u>17,033,210</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>988,829</u>	<u>236,486</u>	<u>46,194</u>	<u>1,271,509</u>
<u>Other Financing Sources (Uses):</u>				
Refunding Bonds Issued	0	2,654,997	0	2,654,997
Premium on Refunding Bonds Issued	0	1,197	0	1,197
Payment to Refunding Bond Escrow Agent	0	(2,654,997)	0	(2,654,997)
Advances In	5,000	0	2,500	7,500
Advances Out	(5,000)	0	(2,500)	(7,500)
Transfers In	0	9,029	49,375	58,404
Transfers Out	(58,404)	0	0	(58,404)
<i>Total Other Financing Sources (Uses)</i>	<u>(58,404)</u>	<u>10,226</u>	<u>49,375</u>	<u>1,197</u>
<i>Net Change in Fund Balances</i>	930,425	246,712	95,569	1,272,706
<i>Fund Balances at Beginning of Year</i>	<u>1,774,570</u>	<u>905,468</u>	<u>1,530,945</u>	<u>4,210,983</u>
<i>Fund Balances at End of Year</i>	<u>\$2,704,995</u>	<u>\$1,152,180</u>	<u>\$1,626,514</u>	<u>\$5,483,689</u>

See accompanying notes to the basic financial statements.

ALEXANDER LOCAL SCHOOL DISTRICT
*Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Receipts:</u>				
Property Taxes	\$3,896,392	\$3,666,798	\$3,664,936	(\$1,862)
Intergovernmental	9,661,294	9,658,658	9,683,061	24,403
Interest	149,853	162,000	170,638	8,638
Tuition and Fees	704,615	789,000	789,168	168
Miscellaneous	71,952	77,702	115,110	37,408
<i>Total Receipts</i>	<u>14,484,106</u>	<u>14,354,158</u>	<u>14,422,913</u>	<u>68,755</u>
<u>Disbursements:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	5,534,480	5,646,924	5,094,290	552,634
Special	1,275,252	1,275,252	1,256,308	18,944
Vocational	141,927	141,927	110,152	31,775
Other	1,522,000	1,522,000	1,541,485	(19,485)
<i>Support Services:</i>				
Pupils	733,919	639,119	624,873	14,246
Instructional Staff	325,028	325,028	306,205	18,823
Board of Education	93,322	93,322	53,299	40,023
Administration	1,217,627	1,217,627	1,032,570	185,057
Fiscal	348,395	348,395	354,407	(6,012)
Operation and Maintenance of Plant	1,567,870	1,554,870	1,468,017	86,853
Pupil Transportation	1,182,368	1,215,368	1,128,488	86,880
Central	204,691	204,691	208,978	(4,287)
Operation of Non-Instructional Services	67,012	67,092	67,398	(306)
Extracurricular Activities	237,466	222,466	212,452	10,014
Capital Outlay	42,839	42,839	18,114	24,725
<i>Total Disbursements</i>	<u>14,494,196</u>	<u>14,516,920</u>	<u>13,477,036</u>	<u>1,039,884</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,090)</u>	<u>(162,762)</u>	<u>945,877</u>	<u>1,108,639</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	50,000	5,000	5,000	0
Advances Out	(50,000)	(50,000)	(5,000)	45,000
Transfers Out	(50,000)	(50,000)	(58,404)	(8,404)
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(95,000)</u>	<u>(58,404)</u>	<u>36,596</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	<u>(60,090)</u>	<u>(257,762)</u>	<u>887,473</u>	<u>1,145,235</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,735,273</u>	<u>1,735,273</u>	<u>1,735,273</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>39,299</u>	<u>39,299</u>	<u>39,299</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,714,482</u>	<u>\$1,516,810</u>	<u>\$2,662,045</u>	<u>\$1,145,235</u>

See accompanying notes to the basic financial statements.

ALEXANDER LOCAL SCHOOL DISTRICT
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$58,004</u>
<i>Total Assets</i>	<u><u>\$58,004</u></u>
<u>Liabilities:</u>	
Due to Students	<u>\$58,004</u>
<i>Total Liabilities</i>	<u><u>\$58,004</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, 2008

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 90 classified and 120 teaching personnel and 7 administrative employees providing education to approximately 1,665 students.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For 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 14, 15 and 16 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.

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct 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 two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance.

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

The following are the District's major governmental funds:

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus, and measures 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 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.

D. Basis of Accounting

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

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

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 2008 amounted to \$170,638, which includes \$91,379 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.

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

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.

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 Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

L. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, textbooks and instructional material, and capital improvements.

The reserves for textbooks and instructional materials, and capital improvements represents money required to be set-aside by statute and are explained in more detail in Note 13.

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.

ALEXANDER LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

N. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in 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 2008.

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.

NOTE 3 - NEW GASB PRONOUNCEMENTS

For fiscal year 2008, the District implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB No. 50, "Pension Disclosures", an amendment of GASB Statements No. 25 and No. 27. The implementation of GASB Statement No. 48 and 50 had some effect on the disclosure requirements, however, there was no effect on the prior period fund balances of the District.

NOTE 4 - BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the District:

	<u>General Fund</u>
Budgetary Basis Fund Balances	\$2,662,045
Encumbrances	42,950
Fund Cash Balances	<u><u>\$2,704,995</u></u>

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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.

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

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

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. 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.

At June 30, 2008, the carrying amount of all District deposits was \$5,541,693. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2008, \$5,598,656 of the District's bank balance of \$5,698,656 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$5,598,656 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. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 12.5 percent of true value.

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

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

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

The District receives property taxes from Athens, Meigs and Vinton Counties. The County Auditors periodically advance to the District their portion of the taxes collected. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$125,874,980	76.90%	\$129,336,622	77.68%
Public Utility Personal	35,215,060	21.51%	35,215,060	21.15%
Tangible Personal Property	2,593,200	1.59%	1,944,900	1.17%
Total Assessed Value	<u>\$163,683,240</u>	<u>100.00%</u>	<u>\$166,496,582</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$42.06		\$42.06

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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 2008, the District contracted with Ohio School Plan for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents - replacement cost (\$5,000 deductible)	\$42,497,037
Inland Marine Coverage (\$1,000 deductible)	50,000
Musical Instruments (\$1,000 deductible)	158,216
Automobile Liability - Single Limit	1,000,000
Uninsured Motorists :	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	1,000,000
Total Per Year	3,000,000
Public Official Bonds:	
Treasurer	20,000
Superintendent/Board President (each)	20,000

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

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), a group purchasing pool (Note 16). 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 Gates McDonald & Co., provides administrative, cost control and actuarial services to the Plan.

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for members and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$242,207, \$248,905, and \$278,346, respectively; 25.51 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$770,512, \$787,842, and \$887,407, respectively; 74.92 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

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, 2008, 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

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$147,956.

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$147,956, \$125,316, and \$121,976 respectively; 74.92 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,279, \$2,239, and \$2,876 respectively.

State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.stsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$59,270, \$60,560 and \$68,262 respectively; 74.92 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 10 - EMPLOYEE BENEFITS

Health Care Benefits

The District has elected to provide employee medical/surgical benefits, dental and prescription drug benefits through the Athens County School Employee Health and Welfare Benefit Association. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. See Note 14 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, 2008

NOTE 11 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during the 2008 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2007	Additions	Deductions	Principal Outstanding at June 30, 2008	Amount Due In One Year
<i>Governmental Activities:</i>							
Asbestos Removal Loan	1995	N/A	\$49,604	\$0	\$ 9,029	\$40,575	\$9,029
General Obligation Bonds	2001	3.50 - 5.60%	6,105,000	0	2,895,000	3,210,000	250,000
Refunding Bonds		4.00 -					
Term Bonds	2007	4.25%	0	2,580,000	30,000	2,550,000	20,000
Capital Appreciation Bonds			0	74,997	0	74,997	0
Accretion on Capital Appreciation Bonds			0	18,730	0	18,730	0
Total Governmental Activities Long-Term Obligations			<u>\$6,154,604</u>	<u>\$2,673,727</u>	<u>\$2,934,029</u>	<u>\$5,894,302</u>	<u>\$279,029</u>

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

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 will mature in fiscal year 2013. The maturity amount of the bonds is \$325,000. For fiscal year 2008, \$18,730 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 \$7,956,939 with an unvoted debt margin of \$166,497 at June 30, 2008.

ALEXANDER LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Principal requirements to retire the asbestos removal loan at June 30, 2008 are as follows:

Year Ending June 30	Principal
2009	\$9,029
2010	9,029
2011	9,029
2012	9,029
2013	4,459
Total	\$40,575

Principal and interest requirements to retire the general obligation bonds at June 30, 2008 are as follows:

Year Ending June 30	General Obligation Bonds		Refunding Bonds			Totals	
	Principal	Interest	Term Bonds Principal	Capital Appreciation Bonds Principal	Interest	Principal	Interest
2009	\$250,000	\$162,078	\$20,000	\$0	\$105,875	\$270,000	\$267,953
2010	260,000	150,985	20,000	0	105,075	280,000	256,060
2011	275,000	139,211	25,000	0	104,175	300,000	243,386
2012	285,000	126,466	25,000	0	103,175	310,000	229,641
2013	0	119,840	0	325,000	27,678	325,000	147,518
2014-2018	1,735,000	366,660	60,000	0	507,975	1,795,000	874,635
2019-2023	405,000	11,340	1,885,000	0	348,243	2,290,000	359,583
2024	0	0	515,000	0	10,944	515,000	10,944
Total	\$3,210,000	\$1,076,580	\$2,550,000	\$325,000	\$1,313,140	\$6,085,000	\$2,389,720

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 12 - INTERFUND ACTIVITY

As of June 30, 2008, interfund cash advances were as follows:

Fund	Advances Out	Advances In
General Fund	\$5,000	\$5,000
<i>Nonmajor Special Revenue Funds:</i>		
Uniform School Supplies Fund	500	500
Athletic Fund	2,000	2,000
Total Nonmajor Special Revenue Funds	2,500	2,500
Total	<u>\$7,500</u>	<u>\$7,500</u>

During fiscal year 2008, interfund transfers were as follows:

Transfers From	Transfers To		
	Bond Retirement	Nonmajor Special Revenue	Total
General	<u>\$9,029</u>	<u>\$49,375</u>	<u>\$58,404</u>

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, 2008

NOTE 13 - STATUTORY SET-ASIDES

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2008:

	Textbooks	Capital Improvements	Totals
Set-Aside Balance as of July 1, 2007	\$366,815	\$76,279	\$443,094
Current Year Set-Aside Requirement	257,216	257,216	514,432
Current Year Offset	0	(65,587)	(65,587)
Qualifying Disbursements	(247,607)	(303,759)	(551,366)
Total	376,424	(35,851)	340,573
Set-Aside Balance as of June 30, 2008	<u>\$376,424</u>	<u>(\$35,851)</u>	
Total Restricted Assets			<u>\$376,424</u>

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

NOTE 14 - 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 35 participants consisting of 26 school districts and 9 county boards of education. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to member districts. Each member district pays a fee annually for services provided by SEOVEC. SEOVEC is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member of the district's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. SEOVEC operates with its own Treasurer. The continued existence of SEOVEC is not dependent on the District's continued participation and no equity interest exists. SEOVEC has no outstanding debt. Financial statements for SEOVEC can be obtained from the Southeast Ohio Voluntary Educational Cooperative, 221 North Columbus Road, Athens, Ohio 45701. The District paid SEOVEC \$25,408 in fiscal year 2008.

Southeastern Ohio Special Education Regional Resource Center

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

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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

Tri-County Career Center

The Tri-County Career Center is a jointly governed organization providing vocational services to its eight member districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating districts. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2008, the District made no contributions to the Career Center. Financial information can be obtained from the Tri-County Career Center, 15676 State Route 691, Nelsonville, Ohio 45764.

Athens County School Employee Health and Welfare Benefit Association

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

NOTE 15 - AFFILIATED ORGANIZATION

Alexander Future Foundation

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

ALEXANDER LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

NOTE 16 - GROUP PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Plan

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

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

NOTE 17 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

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**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 36,283	\$	\$ 36,283
Nutrition Cluster:						
School Breakfast Program	10.553	2007	8,430		8,430	
		2008	77,233		77,233	
Total School Breakfast Program			85,663	0	85,663	0
National School Lunch Program	10.555	2007	25,721		25,721	
		2008	229,842		229,842	
Total National School Lunch Program			255,563	0	255,563	0
Total Nutrition Cluster			341,226	36,283	341,226	36,283
Total United States Department of Agriculture			341,226	36,283	341,226	36,283
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	2007	42,270		47,816	
		2008	383,388		334,138	
Total Title I Grants to Local Educational Agencies			425,658	0	381,954	0
Special Education Cluster:						
Special Education - Grants to States	84.027	2007	36,884		52,251	
		2008	392,099		370,153	
Total Special Education - Grants to States			428,983	0	422,404	0
Special Education - Preschool Grants	84.173	2007			2,065	
		2008	14,932		13,405	
Total Special Education - Preschool Grants			14,932	0	15,470	0
Total Special Education Cluster			443,915	0	437,874	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	2007	720		1,310	
		2008	7,906		6,926	
Total Safe and Drug-Free Schools and Communities - State Grants			8,626	0	8,236	0
Twenty-First Century Community Learning Centers Grant	84.287	2007	72,070		101,991	
		2008	120,457		142,917	
Total Twenty-First Century Community Learning Centers Grant			192,527	0	244,908	0
State Grants for Innovative Programs	84.298	2007			33	
		2008	2,494		2,494	
Total State Grants for Innovative Programs			2,494	0	2,527	0
Education Technology State Grants	84.318	2007	1,538		937	
		2008	2,929		2,566	
Total Education Technology State Grants			4,467	0	3,503	0
Reading First State Grants	84.357	2007	64,522		66,048	
		2008	391,563		396,346	
Total Reading First State Grants			456,085	0	462,394	0
Improving Teacher Quality State Grants	84.367	2007	11,682		15,266	
		2008	102,445		90,243	
Total Improving Teacher Quality State Grants			114,127	0	105,509	0
Total United States Department of Education			1,647,899	0	1,646,905	0
Total Federal Awards Receipts and Expenditures			\$ 1,989,125	\$ 36,283	\$ 1,988,131	\$ 36,283

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

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – TRANSFERS

During fiscal year 2008, the Ohio Department of Education (ODE) authorized the District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers was as follows:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	2007	\$ 342	
84.010	Title I Grants to Local Educational Agencies	2008		\$ 342
84.173	Special Education - Preschool Grants	2007	7	
84.173	Special Education - Preschool Grants	2008		7
Totals			<u>\$ 349</u>	<u>\$ 349</u>



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2009, wherein we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2008-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated January 16, 2009.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 16, 2009.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 16, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Alexander Local School District, Athens County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 16, 2009

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	<p>Nutrition Cluster: School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555 Summer Food Service Program for Children – CFDA #10.559</p> <p>Special Education Cluster: Special Education – Grants to States – CFDA 84.027 Special Education – Preschool Grants – CFDA #84.173</p> <p>Twenty-first Century Community Learning Center Grant – CFDA #84.287</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Noncompliance Citation – Ohio Rev. Code Section 9.38

Ohio Rev. Code Section 9.38 provides public money must be deposited by a public official other than a state officer, employee or agent with the treasurer of the public office or to a designated depository on the business day following the day of receipt if the total amount exceeds \$1,000. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their employees who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

The Athletic Director did not deposit twenty-seven percent of athletic admissions receipts in a timely manner. Deposit dates ranged from 2 to 7 business days following the date of receipt. This could lead to the loss or theft of funds.

We recommend the Board of Education adopt and implement a policy that ensures timely deposits.

Officials' Response: The District does have a policy including provisions and procedures to safeguard money in the time between receipt and deposit. The District will continue to make sure that all money is deposited with our financial institution in a timely manner.

FINDING NUMBER 2008-002

Noncompliance Citation – Ohio Rev. Code Section 117.38

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

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

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

**ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-002 (Continued)

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

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.

FINDING NUMBER 2008-003

Noncompliance Citation and Significant Deficiency – Ohio Admin. Code Section 117-2-02(A)

Ohio Admin. Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

In addition, the procedures of the District require that in a case where tickets are used, detail ticket accountability reports and unsold tickets must be available for audit. A pay-in form should be completed and turned into the Building secretary who will issue an pre-numbered receipt for the activity. The Athletic Director should sign ticket accountability reports and pay-in forms as an indication of a review or audit of the ticket sales for athletic events.

During testing, we noted 28% of the ticket inventory sheets did not have the signature of the Athletic Director. The District failed to indicate the type of athletic event on 32% of available ticket accountability forms and failed to indicate the date of the athletic event on 100% of ticket accountability forms. This could lead to discrepancies in cash deposited and difficulties in producing a clear audit trail.

We recommend the District include all significant information, including the date and type of athletic event on the each ticket accountability form. We also recommend the Athletic Director review and sign all ticket accountability forms to ensure no discrepancies occur.

Officials' Response: The District uses detailed reconciliation sheets to ensure that all tickets for athletic events are accounted for properly. The District will modify this form to include the additional information and ensure that all forms are signed by the appropriate personnel.

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, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	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: Repeating in the current Schedule of Findings as 2008-002.
2007-002	Ohio Rev. Code Section 5705.36(A)(2) for estimated resources exceeding actual resources.	Yes	N/A
2007-003	OMB Circular A-133 §.400(d) for not performing subrecipient monitoring.	Yes	N/A



Mary Taylor, CPA
Auditor of State

ALEXANDER LOCAL SCHOOL DISTRICT
ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 12, 2009