

Alliance City School District
Stark County, Ohio
Audited Financial Statements

June 30, 2008



Mary Taylor, CPA

Auditor of State

Board of Education
Alliance City School District
200 Glamorgan
Alliance, Ohio 44601

We have reviewed the *Independent Auditor's Report* of the Alliance City School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Finding for Recovery

As the Alliance Career Centre Office Manager, Rhonda Shonk's responsibilities included collecting tuition and fees for all Adult Education and LPN related courses. Total 2007 and 2008 Adult Education and LPN tuition funds unaccounted for were \$32,009. Expected revenues based upon enrollment should have been \$1,388,928; however actual revenues were \$1,356,919.

	<u>Expected Revenues</u>	<u>Actual Revenues</u>	<u>Unaccounted Difference</u>
Adult Education 08	\$218,031	\$216,586	(\$1,445)
Adult Education 07	249,755	242,271	(7,484)
LPN 08	476,507	476,166	(341)
LPN 07	<u>444,635</u>	<u>421,896</u>	<u>(22,739)</u>
	\$1,388,928	\$1,356,919	(\$32,009)

As the Alliance Career Centre Office Manager, Rhonda Shonk was also responsible for preparing the daily deposits provided to the School District's Treasurer. Total receipts unaccounted for during the period July 1, 2008 through September 2008 were \$957. Receipts written were \$12,911; however, total daily deposits given to the School District's Treasurer were \$11,954.

	<u>Per Receipt Book</u>	<u>Per Deposit</u>	<u>Difference</u>
Adult Education 09	\$8,709	\$8,149	(\$560)
LPN 09	<u>4,202</u>	<u>3,805</u>	<u>(397)</u>
	\$12,911	\$11,954	(\$957)

Board of Education
Alliance City School District
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In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Rhonda Shonk and Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$32,966, and in favor of Alliance City School District's Adult Education/LPN Funds, in the amount of \$9,489 and \$23,477, respectively.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Alliance City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 2, 2010

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

JUNE 30, 2008

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

August 31, 2009

To the Board of Education
Alliance City School District
Alliance, OH 44601

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Alliance City School District (the "School District"), Stark County, Ohio as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 31, 2009, on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rea & Associates, Inc.

Alliance City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of the Alliance City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General Revenues accounted for \$26,194,637 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$8,545,143 or 25 percent of total revenues of \$34,739,780.
- Total program expenses were \$34,079,025.
- In total, net assets increased \$660,755.
- Outstanding bonded debt decreased from \$9,483,997 to \$9,179,399 during 2008.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Alliance City School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Alliance City School District, the general fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, ie, food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 17 and 18. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall the Statement of Net Assets provides the perspective of the School District as a whole.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

(Table 1)
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Current and Other Assets	\$ 18,174,456	\$ 16,742,846
Capital Assets	49,635,764	51,180,517
Total Assets	67,810,220	67,923,363
Liabilities		
Other Liabilities	12,536,819	12,950,074
Long-Term Liabilities	13,337,178	13,697,821
Total Liabilities	25,873,997	26,647,895
Net Assets		
Invested in Capital		
Assets, Net of Debt	41,367,711	42,405,527
Restricted	3,696,032	3,883,480
Unrestricted (Deficit)	(3,127,520)	(5,013,539)
Total Net Assets	\$ 41,936,223	\$ 41,275,468

Total assets decreased by \$113,143. This decrease is mainly due to current year depreciation expense exceeding additional purchases. Total liabilities decreased by \$773,898 which was primarily a result of a decrease in long-term debt obligations.

Table 2 shows the changes in net assets for fiscal year 2008. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

(Table 2)
Governmental Activities

	2008	2007
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,799,959	\$ 1,772,870
Operating Grants	6,680,885	7,118,367
Capital Grants	64,299	69,862
<i>General Revenue:</i>		
Property Taxes	9,371,731	8,727,107
Grants and Entitlements	16,460,160	16,232,420
Other	362,746	531,504
<i>Total Revenues</i>	34,739,780	34,452,130
Program Expenses:		
Instruction	21,606,183	21,508,821
Support Services	9,737,577	9,891,840
Operation of Non-Instructional Services	1,679,887	1,697,254
Extracurricular Activities	536,806	524,354
Interest and Fiscal Charges	518,572	471,662
Refund to Grantor Agency	0	364,989
<i>Total Expenses</i>	34,079,025	34,458,920
Increase (Decrease) in Net Assets	\$ 660,755	\$ (6,790)

Governmental Activities

Several revenue sources fund the School District's governmental activities with grants and entitlements, such as the school foundation program, being the largest contributor. Grants and entitlements generated \$23,205,344 in 2008. General revenues from property taxes are also a large revenue generator.

The Statement of Activities shows the cost of program services and the 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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

(Table 3)
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2008	2007	2008	2007
Instruction	\$ 21,606,183	\$ 21,508,821	\$ 16,930,698	\$ 16,671,765
Support Services:				
Pupil and Instructional Staff	2,460,427	2,740,290	1,015,146	1,326,660
Board of Education, Administration				
Fiscal, Business and Central	2,967,182	3,277,651	2,644,739	2,635,911
Operation and Maintenance of Plant	3,721,034	3,335,776	3,568,791	3,190,721
Pupil Transportation	588,934	538,123	574,020	513,864
Operation of Non-Instructional Services	1,679,887	1,697,254	127,673	78,518
Extracurricular Activities	536,806	524,354	154,253	243,731
Interest and Fiscal Charges	518,572	471,662	518,572	471,662
Refund to Grantor Agency	0	364,989	0	364,989
Total	\$ 34,079,025	\$ 34,458,920	\$ 25,533,892	\$ 25,497,821

Instruction and student support services comprise 70.62 percent of governmental program expenses. Interest, fiscal and administration charges were 10.23 percent. Interest expense was attributable to the outstanding bonds, fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the School District. Extracurricular activities, pupil transportation, operation and maintenance of plant and operation of non-instructional services account for 19.15 percent of governmental program expenses. .

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Alliance City School District students.

The School District's Funds

Information about the School District's governmental funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$36,229,136 and expenditures of \$34,546,245. The net change in fund balance for the fiscal year was a increase of \$1,682,891.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District modified its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, the original budget basis revenue (exclusive of other financing sources) was \$24,282,687. This amount was \$60,020 higher than the final budget of \$24,222,667.

Original budget appropriations of \$24,620,117 were the same as the final budget.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$49,635,764 invested in land, buildings and improvements, furniture and equipment, vehicles and textbooks and library books. See Note 8 for additional details. Table 4 shows fiscal year 2008 balances compared with 2007.

(Table 4)
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$ 2,389,603	\$ 2,389,603
Buildings and Improvements	46,412,693	47,830,886
Furniture and Equipment	498,225	528,397
Textbooks and Library Books	160,871	296,166
Vehicles	174,372	135,465
	\$ 49,635,764	\$ 51,180,517

The \$1,544,753 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

House Bill 345 requires the School District to set aside \$162.09 per pupil in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2008, this amounted to \$498,346 for each set aside. The School District had qualifying disbursements or offsets exceeding these requirements for capital improvements. At June 30, 2008, the School District was required to set aside \$157,327 for the purchase of textbooks and instructional materials in future fiscal years. More detailed information is presented in Note 17.

Debt

At June 30, 2008, the School District had \$9,179,399 in bonds outstanding with \$515,733 due within one year. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	2008	2007
Various School Serial and Term Bonds	\$ 7,520,000	\$ 8,025,000
Various Capital Appreciation Bonds	1,659,399	1,458,997
Total	\$ 9,179,399	\$ 9,483,997

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2008

On July 7, 2000, the School District issued \$9,564,991 of general obligation bonds, which includes serial, term and capital appreciation (deep discount) bonds. The bonds were issued for the purpose of various construction and renovation projects throughout the School District.

On May 21, 2001, the School District issued \$1,399,999 of general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds. The bonds were issued for the purpose of land acquisition.

On August 16, 2006 the School District issued \$7,653,980 in voted general obligation bonds, which include serial, term and capital appreciation (deep discount) bonds. The bonds advance refunded \$6,865,000 of outstanding 2000 Classroom Facilities General Obligation Bonds and \$820,000 of outstanding 2001 Site Acquisition General Obligation Bonds.

Current Issues

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for longer than it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our School District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

This could have a significant impact on the School District. Another School District concern is the State Legislative approval of the biennial budget, effective July 1, 2008, which did not provide any significant positive impact on the School District. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kirk Heath, Treasurer, Alliance City School District, 200 Glamorgan, Alliance, OH 44601 or heathki@acs.sparcc.org.

Alliance City School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 7,780,257
Receivables:	
Taxes	9,454,688
Accounts	41,520
Intergovernmental	652,459
Prepaid Items	24,946
Inventory Held For Resale	18,857
Materials and Supplies	68,923
Deferred Charges	132,806
Nondepreciable Capital Assets	2,389,603
Depreciable Capital Assets, Net	<u>47,246,161</u>
<i>Total Assets</i>	<u>67,810,220</u>
Liabilities	
Accounts Payable	189,476
Accrued Wages and Benefits	3,504,304
Accrued Vacation Payable	32,254
Matured Compensated Absences Payable	269,969
Intergovernmental Payable	874,506
Deferred Revenue	7,640,462
Accrued Interest Payable	25,848
Long Term Liabilities:	
Due Within One Year	599,382
Due In More Than One Year	<u>12,737,796</u>
<i>Total Liabilities</i>	<u>25,873,997</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	41,367,711
Restricted for:	
Capital Projects	343,034
Debt Service	450,404
Other Purposes	2,745,267
Set Asides	157,327
Unrestricted (Deficit)	<u>(3,127,520)</u>
<i>Total Net Assets</i>	<u>\$ 41,936,223</u>

The accompanying notes are an integral part of the financial statements.

Alliance City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
			Capital Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 14,108,053	\$ 361,678	\$ 331,884	\$ 0
Special	4,526,505	26,086	2,711,046	0
Vocational	908,872	56,138	268,605	0
Adult Continuing	788,734	560,652	359,396	0
Other	1,274,019	0	0	0
Support Services:				
Pupils	1,479,036	0	994,735	0
Instructional Staff	981,391	0	450,546	0
Board of Education	21,520	0	0	0
Administration	2,443,871	151,431	101,964	0
Fiscal	220,620	0	0	0
Business	179,932	0	0	0
Operation and Maintenance of Plant	3,721,034	0	102,868	49,385
Pupil Transportation	588,934	0	0	14,914
Central	101,239	742	68,306	0
Operation of Non-instructional Services:				
Food Service Operations	1,487,181	274,164	1,151,839	0
Community Service Operations	192,706	0	126,211	0
Extracurricular Activities	536,806	369,068	13,485	0
Interest and Fiscal Charges	518,572	0	0	0
<i>Total Governmental Activities</i>	<u>\$ 34,079,025</u>	<u>\$ 1,799,959</u>	<u>\$ 6,680,885</u>	<u>\$ 64,299</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				8,367,059
Debt Service				609,098
Capital Outlay				287,527
Other Purposes				108,047
Grants and Entitlements not Restricted to Specific Programs				16,460,160
Investment Earnings				296,692
Miscellaneous				66,054
<i>Total General Revenues</i>				<u>26,194,637</u>
Change in Net Assets				660,755
<i>Net Assets Beginning of Year</i>				<u>41,275,468</u>
<i>Net Assets End of Year</i>				<u>\$ 41,936,223</u>

The accompanying notes are an integral part of the financial statements.

Alliance City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	All Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 3,572,348	\$ 4,026,114	\$ 7,598,462
Restricted Cash and Cash Equivalents	181,795	0	181,795
Receivables:			
Taxes	8,299,432	1,155,256	9,454,688
Accounts	13,808	27,712	41,520
Intergovernmental	0	652,459	652,459
Prepaid Items	20,496	4,450	24,946
Inventory Held For Resale	0	18,857	18,857
Materials and Supplies	55,417	13,506	68,923
<i>Total Assets</i>	<u>\$ 12,143,296</u>	<u>\$ 5,898,354</u>	<u>\$ 18,041,650</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 102,587	\$ 86,889	\$ 189,476
Accrued Wages and Benefits	2,640,596	863,708	3,504,304
Matured Compensated Absences Payable	266,455	3,514	269,969
Intergovernmental Payable	647,436	227,070	874,506
Deferred Revenue	7,882,465	1,385,483	9,267,948
<i>Total Liabilities</i>	<u>11,539,539</u>	<u>2,566,664</u>	<u>14,106,203</u>
Fund Balances			
Reserved for Encumbrances	274,952	391,985	666,937
Reserved for Property Taxes	416,967	58,041	475,008
Reserved for Textbook/Instructional Materials	157,327	0	157,327
Reserved for Bus Purchases	24,468	0	24,468
Undesignated, Unreserved Reported in:			
General Fund	(269,957)	0	(269,957)
Special Revenue Funds	0	2,510,024	2,510,024
Debt Service Fund	0	328,921	328,921
Capital Projects Funds	0	42,719	42,719
<i>Total Fund Balances</i>	<u>603,757</u>	<u>3,331,690</u>	<u>3,935,447</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 12,143,296</u>	<u>\$ 5,898,354</u>	<u>\$ 18,041,650</u>

The accompanying notes are an integral part of the financial statements.

Alliance City School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances	\$	3,935,447
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*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		49,635,764
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants	\$	288,268
Delinquent Property Taxes		<u>1,339,218</u>

Total		1,627,486
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In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		132,806
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In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		(25,848)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds		(7,520,000)
Capital Appreciation Bonds		(718,970)
Bond Accretion		(940,429)
Unamortized Bond Premium		(692,794)
Refunding Loss		530,906
Accrued Vacation Payable		(32,254)
Compensated Absences		<u>(3,995,891)</u>

Total		<u>(13,369,432)</u>
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<i>Net Assets of Governmental Activities</i>	\$	<u><u>41,936,223</u></u>
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The accompanying notes are an integral part of the financial statements.

Alliance City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 8,093,807	\$ 949,240	\$ 9,043,047
Intergovernmental	15,996,764	7,427,710	23,424,474
Investment Income	268,744	27,948	296,692
Tuition and Fees	176,650	578,271	754,921
Extracurricular Activities	0	502,147	502,147
Rentals	5,075	9,530	14,605
Charges for Services	56,373	290,204	346,577
Contributions and Donations	0	125,416	125,416
Miscellaneous	37,731	7,293	45,024
<i>Total Revenues</i>	<u>24,635,144</u>	<u>9,917,759</u>	<u>34,552,903</u>
Expenditures			
Current:			
Instruction:			
Regular	10,777,223	1,934,145	12,711,368
Special	3,278,212	1,248,293	4,526,505
Vocational	790,943	92,535	883,478
Adult Continuing	0	788,734	788,734
Other	684,330	587,048	1,271,378
Support Services:			
Pupils	634,014	843,884	1,477,898
Instructional Staff	381,555	508,338	889,893
Board of Education	21,520	0	21,520
Administration	1,822,744	638,787	2,461,531
Fiscal	213,546	0	213,546
Business	167,963	7,778	175,741
Operation and Maintenance of Plant	3,142,192	570,013	3,712,205
Pupil Transportation	598,757	14,035	612,792
Central	10,901	73,227	84,128
Operation of Non-instructional Services:			
Food Service Operations	0	1,473,254	1,473,254
Community Service Operations	0	192,706	192,706
Extracurricular Activities	294,272	242,029	536,301
Capital Outlay	33,531	3	33,534
Debt Service:			
Principal Retirement	0	505,000	505,000
Interest and Fiscal Charges	0	322,095	322,095
<i>Total Expenditures</i>	<u>22,851,703</u>	<u>10,041,904</u>	<u>32,893,607</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,783,441</u>	<u>(124,145)</u>	<u>1,659,296</u>
Other Financing Sources			
Transfers In	60,020	1,592,618	1,652,638
Transfers Out	(50,000)	(1,602,638)	(1,652,638)
Proceeds from Sale of Capital Assets	23,595	0	23,595
<i>Total Other Financing Sources and Uses</i>	<u>33,615</u>	<u>(10,020)</u>	<u>23,595</u>
<i>Net Change in Fund Balances</i>	1,817,056	(134,165)	1,682,891
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,213,299)</u>	<u>3,465,855</u>	<u>2,252,556</u>
<i>Fund Balances End of Year</i>	<u>\$ 603,757</u>	<u>\$ 3,331,690</u>	<u>\$ 3,935,447</u>

The accompanying notes are an integral part of the financial statements.

Alliance City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ 1,682,891

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital Asset Additions	\$ 166,385	
Current Year Depreciation	<u>(1,708,573)</u>	(1,542,188)

Net effect of transactions involving sale of capital assets are not reflected in the funds. (2,565)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	(162,836)	
Delinquent Property Taxes	<u>328,683</u>	165,847

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 505,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The governmental funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Accrued Interest	1,987	
Accretion on Capital Appreciation Bonds	(200,402)	
Refunding Loss	(35,394)	
Bond Premium	<u>46,186</u>	(187,623)

In statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. (8,854)

Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	45,253	
Accrued Vacation Payable	<u>2,994</u>	<u>48,247</u>

Change in Net Assets of Governmental Activities \$ 660,755

The accompanying notes are an integral part of the financial statements.

Alliance City School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
 General Fund
 For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 8,669,042	\$ 8,492,022	\$ 8,067,711	\$ (424,311)
Intergovernmental	15,373,645	15,490,645	15,996,764	506,119
Investment Income	240,000	240,000	268,744	28,744
Tuition and Fees	0	0	177,614	177,614
Rent	0	0	5,075	5,075
Charges for Services	0	0	56,373	56,373
Miscellaneous	0	0	38,764	38,764
<i>Total Revenues</i>	<u>24,282,687</u>	<u>24,222,667</u>	<u>24,611,045</u>	<u>388,378</u>
Expenditures				
Current:				
Instruction:				
Regular	12,062,794	12,062,794	10,842,054	1,220,740
Special	3,240,075	3,240,075	3,288,293	(48,218)
Vocational	823,076	823,076	794,521	28,555
Other	471,706	471,706	618,036	(146,330)
Support Services:				
Pupils	784,363	784,363	636,572	147,791
Instructional Staff	469,989	469,989	421,675	48,314
Board of Education	27,670	27,670	23,809	3,861
Administration	2,038,812	2,038,812	1,915,414	123,398
Fiscal	240,422	240,422	214,817	25,605
Business	181,228	181,228	184,275	(3,047)
Operation and Maintenance of Plant	3,182,249	3,182,249	3,091,456	90,793
Pupil Transportation	725,779	725,779	752,503	(26,724)
Central	12,086	12,086	10,776	1,310
Extracurricular Activities	324,868	324,868	294,302	30,566
Capital Outlay	35,000	35,000	33,531	1,469
<i>Total Expenditures</i>	<u>24,620,117</u>	<u>24,620,117</u>	<u>23,122,034</u>	<u>1,498,083</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(337,430)</u>	<u>(397,450)</u>	<u>1,489,011</u>	<u>1,886,461</u>
Other Financing Sources				
Transfers In	0	60,020	60,020	0
Proceeds from Sale of Capital Assets	0	0	23,595	23,595
Transfers Out	(50,000)	(50,000)	(50,000)	0
Other Financing Uses	(1,483,814)	(1,483,814)	0	1,483,814
<i>Total Other Financing Sources</i>	<u>(1,533,814)</u>	<u>(1,473,794)</u>	<u>33,615</u>	<u>1,507,409</u>
<i>Net Change in Fund Balance</i>	<u>(1,871,244)</u>	<u>(1,871,244)</u>	<u>1,522,626</u>	<u>3,393,870</u>
<i>Fund Balance Beginning of Year</i>	<u>1,151,142</u>	<u>1,151,142</u>	<u>1,151,142</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>720,108</u>	<u>720,108</u>	<u>720,108</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 3,393,876</u>	<u>\$ 3,393,870</u>

The accompanying notes are an integral part of the financial statements.

Alliance City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	Scholarships	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 18,634	\$ 171,142
Accounts Receivable	0	93
<i>Total Assets</i>	18,634	\$ 171,235
Liabilities		
Accounts Payable	\$ 0	\$ 48
Due to Students	0	171,187
<i>Total Liabilities</i>	0	\$ 171,235
Net Assets		
Held in Trust for Scholarships	\$ 18,634	

The accompanying notes are an integral part of the financial statements.

Alliance City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
	Scholarships
Additions	
Interest	\$ 709
Deductions	
Payments in Accordance with Trust Agreements	1,288
<i>Change in Net Assets</i>	(579)
<i>Net Assets Beginning of Year</i>	19,213
<i>Net Assets End of Year</i>	\$ 18,634

The accompanying notes are an integral part of the financial statements.

Alliance City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Alliance City School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Alliance City School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District. Average daily membership (ADM) as of October 1, 2007 was 3,099. The School District employed 263 certified employees and 158 non-certified employees.

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Alliance City School District, this includes general operations, food service and student related activities of the School District.

Non-public Schools – Regina Coeli is operated through the Youngstown Catholic Diocese. Current state legislation provides funding for this parochial school. These monies are received and disbursed by the School District on behalf of the parochial school by the Fiscal Officer of the School District, as directed by the parochial schools. The activity of these state monies by the School District is reflected as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in a jointly governed organization and two public entity risk pools. These organizations are the Stark/Portage Area Computer Consortium (SPARCC), the Comp Management Workers’ Compensation Group Rating Program (GRP), and the Stark County Schools Council of Governments Health Benefit Plan. They are presented in Notes 14 and 15.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District’s accounting policies are shown below.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. 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 School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The other governmental funds of the School District account for grants and other resources 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decrease (i.e. expenditures) in total net assets.

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, other than agency funds, 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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control is the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board of Education.

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2008, investments were limited to a repurchase agreement and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$268,744, which includes \$163,279 assigned from other School District funds.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

I. 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. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by statute to be set aside for the purchase of textbooks and other instructional materials. See Note 17 for additional information regarding set-asides.

J. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5-50 Years
Furniture and Equipment	5-15 Years
Vehicles	5-10 Years
Textbooks and Library Books	7-10 Years

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the School District's termination policies.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee will be paid.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes, textbooks and instructional materials and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund 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/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Implementation of New Accounting Policies

For the year ended June 30, 2008, the School District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," and GASB Statement No. 50, "Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27."

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,*” and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers,*” to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*” and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*”

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

NOTE 3 – ACCOUNTABILITY

Deficit fund balances at June 30, 2008 including the following individual fund deficits:

<u>Non-Major Funds</u>	
Public School Preschool	\$ 769
Entry Year Teacher Grant	81
Career Development	21
Poverty Based Assistance Fund	149,253
Title VI	182
Title VI-B	277

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	\$ 1,817,056
Net Adjustment for Revenue Accruals	(24,098)
Net Adjustment for Expenditure Accruals	89,935
Encumbrances	<u>(360,267)</u>
Budget Basis	<u>\$ 1,522,626</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

State statues classify monies held by the School 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 School 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 identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be 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 monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Interim monies to 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 and interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency 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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAROhio).
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days from the purchase date in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
- 8) Under limited circumstances, corporate 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 5 years from the date of purchase unless matched to a specific obligation or debt of the School 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 investments 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.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the School District's deposits was \$108,868. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$293,508 of the School District's bank balance of \$393,508 was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Investments

As of June 30, 2008, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 Months or Less
Repurchase Agreement	\$ 602,440	\$ 602,440
STAROhio	7,258,725	7,258,725
 Total	 <u>\$ 7,861,165</u>	 <u>\$ 7,861,165</u>

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less for investments with a fixed interest rate and two years or less for investments with a variable interest rate.

Credit Risk Standard & Poor's has assigned STAROhio an AAA rating. The repurchase agreement is unrated.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Repurchase Agreement	\$ 602,440	7.66%
STAROhio	<u>7,258,725</u>	<u>92.34%</u>
 Total	 <u>\$ 7,861,165</u>	 <u>100.00%</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2003, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Stark, Columbiana and Mahoning Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008, was \$416,967 in the general fund, \$38,575 in the bond retirement debt service fund, \$13,914 in the permanent improvement and capital projects fund, and \$5,552 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2007, was \$390,871 in the general fund, \$28,085 in the bond retirement debt service fund, \$13,464 in the permanent improvement capital projects fund and \$5,324 in the classroom facilities maintenance special revenue fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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
Residential/Agricultural	\$ 178,072,190	64%	\$ 178,499,810	67%
Commercial/Industrial	73,880,940	27%	72,239,840	27%
General	13,837,799	5%	8,448,180	3%
Public Utilities	11,110,570	4%	8,668,260	3%
Total Assessed Value	\$ 276,901,499	100%	\$ 267,856,090	100%
Tax rate per \$1,000 of Assessed Value	\$ 57.60		\$ 57.60	

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of property taxes, accounts (tuition and fees), intergovernmental, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance <u>06/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/2008</u>
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 2,389,603	\$ 0	\$ 0	\$ 2,389,603
<i>Depreciable Capital Assets:</i>				
Building and Improvements	56,380,320	7,138	0	56,387,458
Furniture and Equipment	1,444,125	79,487	(37,620)	1,485,992
Vehicles	1,253,708	79,760	0	1,333,468
Textbooks and Library Books	1,491,847	0	0	1,491,847
<i>Total Capital Assets, Being Depreciated</i>	60,570,000	166,385	(37,620)	60,698,765
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(8,549,434)	(1,425,331)	0	(9,974,765)
Furniture and Equipment	(915,728)	(107,094)	35,055	(987,767)
Vehicles	(1,126,636)	(45,961)	0	(1,172,597)
Textbooks and Library Books	(1,187,288)	(130,187)	0	(1,317,475)
Total Accumulated Depreciation	<u>(11,779,086)</u>	<u>(1,708,573) *</u>	<u>35,055</u>	<u>(13,452,604)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>48,790,914</u>	<u>(1,542,188)</u>	<u>(2,565)</u>	<u>47,246,161</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 51,180,517</u>	<u>\$ (1,542,188)</u>	<u>\$ (2,565)</u>	<u>\$ 49,635,764</u>

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 8 – CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 1,474,983
Vocational	25,394
Support Services:	
Instructional Staff	91,878
Administration	6,465
Business	2,021
Operation and Maintenance of Plant	22,779
Pupil Transportation	55,406
Central	17,111
Operation of Non-Instructional Services:	
Food Service Operations	12,031
Extracurricular Activities	<u>505</u>
Total Depreciation Expense	<u>\$ 1,708,573</u>

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

The School 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 School District contracted with The Netherlands Insurance Company for property, general liability, fleet, umbrella, and inland marine insurance. Selective Insurance Company of South Carolina covers boiler and machinery with a \$40,000,000 single occurrence limit and a \$1,000 deductible. Vehicles have a \$500 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Professional liability has a \$2,000,000 single occurrence limit and a \$4,000,000 general aggregate limit with no deductible.

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 9 – RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Sheakley Uniserve Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$550,128, \$548,412 and \$550,308, respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,140,776, \$2,150,160 and \$2,115,324, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2007 were \$18,182 made by the School District and \$30,556 made by the plan members.

C. Social Security System

Effective July 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, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$152,913, \$153,583 and \$151,095, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The School District's contributions for the year ended June 30, 2008 were \$26,720, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$201,717, \$203,805 and \$189,475, respectively.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and 260-day employees are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service, hired prior to February 1, earn 5 days vacation.

All employees are entitled to a sick leave credit equal to 1¼ days for each month of service. The sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 47 days of sick leave. The total maximum is 47 days for certified employees and 49 days for noncertified employees.

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Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2008 were as follows:

	Principal Outstanding 06/30/2007	Additions	Deductions	Principal Outstanding 6/30/2008	Amounts Due Within One Year
Governmental Activities					
2000 Classroom Facilities Bonds -					
\$9,564,991 5.00-5.80%					
Serial and Term Bonds	\$ 355,000	\$ 0	\$ (355,000)	\$ 0	\$ 0
Capital Appreciation Bonds	494,991	0	0	494,991	132,240
Accretion on Capital Appreciation Bonds	629,686	140,236	0	769,922	228,493
2001 School Improvement Bonds -					
\$1,399,999 3.50-5.30%					
Serial and Term Bonds	300,000	0	(50,000)	250,000	55,000
Capital Appreciation Bonds	39,999	0	0	39,999	0
Accretion on Capital Appreciation Bonds	53,054	13,903	0	66,957	0
2006 Classroom Facilities and Site Acquisition					
Refunding Bonds -					
\$7,653,980 - 4.00-4.55% Serial and					
Term Bonds	7,370,000	0	(100,000)	7,270,000	100,000
Capital Appreciation Bonds	183,980	0	0	183,980	0
Accretion on Capital Appreciation Bonds	57,287	46,263	0	103,550	0
Unamortized Premium	738,980	0	(46,186)	692,794	0
Refunding Loss	(566,300)	0	35,394	(530,906)	0
Compensated Absences	4,041,144	85,987	(131,240)	3,995,891	83,649
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 13,697,821</u>	<u>\$ 286,389</u>	<u>\$ (647,032)</u>	<u>\$ 13,337,178</u>	<u>\$ 599,382</u>

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

General obligation bonds will be paid from tax revenues in the debt service fund. Compensated absences will be paid from the general fund.

2000 Classroom Facilities General Obligation Bonds

On July 7, 2000, the School District issued \$9,564,991 of general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$2,630,000, \$6,440,000 and \$494,991, respectively. The bonds were issued for the purpose of various construction and renovations projects throughout the School District. The bonds were issued for a twenty-two year period with a final maturity at December 1, 2022.

The serial bonds were issued with a varying interest rate of 5.0 – 5.20 percent. The term bonds that mature in fiscal year 2022, with an interest rate of 5.50 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2013, and on each December thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2013	\$ 455,000
2014	495,000
2015	535,000
2016	570,000
2017	615,000
2018	655,000
2019	705,000
2020	750,000
2021	805,000

The capital appreciation bonds mature December 1, 2008 through December 1, 2011. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,565,000. For fiscal year 2008, the accretion amount was \$140,236. A capital appreciation bond matures December 1, 2008. The total payment due is \$380,000. The amount due in one year reflects \$360,733. The difference is due to not all interest accreted at June 30, 2008.

The term bonds maturing on or after December 1, 2012 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2010.

2001 School Improvement Bonds

On May 21, 2001, the School District issued \$1,399,999 of general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$540,000, \$820,000 and \$39,999, respectively. The bonds were issued for the purpose of land acquisition. The bonds were issued for a twenty-one year period with a final maturity at December 1, 2022.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The serial bonds were issued with a varying interest rate of 3.5 – 4.6 percent. The term bonds that mature in fiscal year 2017, with an interest rate of 5.125 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015, and on each December thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2015	\$ 80,000
2016	85,000

The term bonds due December 1, 2022, with an interest rate of 5.20 percent, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2018, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2018	\$ 100,000
2019	105,000
2020	115,000
2021	120,000

The capital appreciation bonds mature December 1, 2012 through December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$225,000. For fiscal year 2008, the accretion amount was \$13,903.

2006 Classroom Facilities and Site Acquisition Refunding General Obligation Bonds

On August 17, 2006, the School District issued \$7,653,980 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$3,850,000, \$3,620,000 and \$183,980, respectively. The bonds advance refunded \$6,865,000 of outstanding 2000 Classroom Facilities General Obligation Bonds and \$820,000 of outstanding 2001 Site Acquisition General Obligation Bonds. The bonds were issued for a twenty-one year period and the 2000 bonds were issued for a twenty-two year period with final maturities at December 31, 2022.

At the date of refunding, \$8,251,300 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$6,865,000 of the 2000 Series Bonds and \$820,000 of the 2001 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the 2001 financial statements. The advance refunding reduced cash flows required for debt service by \$308,338 over the next thirteen years and resulted in an economic gain of \$233,929. As of June 30, 2008 the entire amount of defeased bonds were outstanding.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The bonds were issued with a premium of \$738,980, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2008 was \$46,186. The issuance costs of \$141,660 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$8,854.

The bond issue consists of serial term and capital appreciation bonds. The serial bonds were issued with an interest rate of 4.0 percent. The term bonds that mature in fiscal year 2021 with an interest rate of 4.20 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2019 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$ 835,000

The term bonds due December 1, 2022, with an interest rate of 4.25 percent, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2022	\$ 930,000

The term bonds maturing after December 1, 2016 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after June 1, 2016.

The capital appreciation bonds will mature December 1, 2009 and 2010. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,630,000. The fiscal year 2008 accretion amount is \$46,263.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 155,000	\$ 306,974	\$ 132,240	\$ 247,760	\$ 287,240	\$ 554,734
2010	165,000	300,358	125,687	259,313	290,687	559,671
2011	175,000	293,275	120,736	274,264	295,736	567,539
2012	180,000	285,803	116,328	288,672	296,328	574,475
2013	540,000	271,192	14,184	60,816	554,184	332,008
2014-2018	2,685,000	995,462	125,745	834,255	2,810,745	1,829,717
2019-2023	3,620,000	469,811	84,050	735,950	3,704,050	1,205,761
Total	\$ 7,520,000	\$ 2,922,875	\$ 718,970	\$ 2,701,030	\$ 8,238,970	\$ 5,623,905

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being place on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Services Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district’s control over budgeting and representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District’s continued participation and no equity interest exists. During the year ended June 30, 2008, the School District paid \$87,885 to SPARCC.

NOTE 15 – PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the “Program”) is an employee health benefit plan which covers the participating members’ employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 15 – PUBLIC ENTITY RISK POOLS (Continued)

B. Insurance Purchasing Pool

The Comp Management Workers' Compensation Group Rating Program (GRP) has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The intent of the pool is to achieve a reduced rate for the School District by the group with other members of the group. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Gates McDonald & Co. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member annually based on its payroll percent of the group.

NOTE 16 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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 School District at June 30, 2008.

B. Litigation

The School District is party to various legal proceedings. The School District's management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial statements or on the financial condition of the School District.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 17 – SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements	Totals
Set-aside Reserve Balance as of June 30, 2007	\$ 197,683	\$ (7,276,691)	\$ (7,079,008)
Current Year Set-Aside Requirement	498,346	498,346	996,692
Current Year Offsets	0	(383,387)	(383,387)
Current Year Qualifying Disbursements	<u>(538,702)</u>	<u>0</u>	<u>(538,702)</u>
Totals	<u>\$ 157,327</u>	<u>\$ (7,161,732)</u>	<u>\$ (7,004,405)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ 157,327</u>	<u>\$ (7,161,732)</u>	<u>\$ (7,004,405)</u>
Set-Aside Reserve Balance as of June 30, 2007	<u>\$ 157,327</u>	<u>\$ 0</u>	<u>\$ 157,327</u>

The School District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$157,327.

NOTE 18: INTERFUND TRANACTIONS

Interfund Transfers

During fiscal year 2008, the general fund transferred \$50,000 to the adult continuing education fund to cover operating expenses. The e-rate fund was closed out and the residual cash balance of \$60,020 was transferred to the general fund. In accordance with Ohio Revised Code Section 3318.12, the classroom facilities project construction fund transferred \$1,542,618 to the classroom facilities maintenance fund, which represented the remaining investment earnings that were attributable to the School District's contribution.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

August 31, 2009

To the Board of Education
Alliance City School District
Alliance, OH 44601

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Alliance City School District (the "School District") as of and for the year ended June 30, 2008, and have issued our report thereon dated August 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School 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 that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement stat is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2008-001, to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Alliance City School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
August 31, 2009
Page 2

Our consideration of the 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 considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response, and accordingly express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities, and the Board of Education and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

November 2, 2009

To the Board of Education
Alliance City School District
Alliance, OH 44601

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

Compliance

We have audited the compliance of the Alliance City School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

As described in item 2008-002 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding the filing of the data collection form that are applicable to its federal programs. Compliance with such requirements is necessary, in our opinion, however, does not affect our opinion on the School District's compliance with requirements applicable to the School District's major federal programs.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 School District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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.

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

This report is intended solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	10.553	2007	\$ 53,064		\$ 53,064	
		2008	185,249		185,249	
National School Lunch Program	10.555	2007	167,104		167,104	
		2008	644,617	\$ 82,610	644,617	\$ 82,610
National School Summer Feeding	10.559	2007	18,848		18,848	
		2008	47,776		47,776	
Total - Nutrition Cluster			1,116,658	82,610	1,116,658	82,610
Total US Department of Agriculture			1,116,658	82,610	1,116,658	82,610
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Title 1, Part A	84.010	2007	192,303		208,214	
		2008	1,352,667		1,132,774	
School Improvement Grant		2007	(13,030)		1,996	
		2008	115,443		99,989	
Total Title I			1,647,383		1,442,973	
Special Education Cluster:						
Title VI-B	84.027	2007	84,096		135,312	
		2008	867,449		767,320	
Title VI-B Preschool	84.173	2007	5,332		5,436	
		2008	23,948		21,418	
Total Special Education Cluster			980,825		929,486	
21st Century Community Learning Centers	84.287	2007	8,440		21,932	
Title V	84.298	2007	(993)		1,045	
		2008	3,402		2,431	
Total Title V			2,409		3,476	
Safe, Drug-Free Schools & Communities Act Grant	84.186	2007	(1,923)		185	
		2008	33,302		32,105	
Total Safe, Drug-Free Schools			31,379		32,290	
Carl Perkins Grant	84.048	2007	1,939		18,410	
		2008	178,334		158,511	
Total Carl Perkins Grant			180,273		176,921	
Title II-D Technology	84.318	2007	(983)		0	
		2008	9,621		9,569	
			8,638		9,569	

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disb.	Non-Cash Disbursements
Title II-A	84.367	2007	32,209		35,764	
		2008	255,726		222,498	
Total Title II-A			287,935		258,262	
Total U. S. Department of Education Passed through Ohio Department of Education			<u>3,138,842</u>		<u>2,874,909</u>	
U.S. DEPARTMENT OF EDUCATION						
Carl Perkins from Columbiana County	84.048	2008	50,226		50,226	
Total U.S. Dept of Education Carl Perkins Passed through Columbiana County			50,226		50,226	
U.S. DEPARTMENT OF EDUCATION						
Student Financial Assistance Center						
Pell Grant	84.063	2008	336,374		336,374	
Stafford Student Loan	84.032	2008	302,189		302,189	
Total U.S. Dept of Education Student Financial Assistance Cluster			638,563		638,563	
Total U.S. Department of Education			<u>3,827,631</u>		<u>3,563,698</u>	
U.S. DEPARTMENT OF LABOR						
WIA Dislocated Workers	17.260	2008	16,158		16,158	
Total U.S. Department of Labor			<u>16,158</u>		<u>16,158</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Federal Block Grant from City of Alliance	14.218	2008	25,000		25,000	
Total U.S. Department of Housing and Urban Development			<u>25,000</u>		<u>25,000</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of MRDD:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778		81,584		0	
Total CAFS Passed through Ohio Department of MRDD:			81,584		0	
<i>Passed through Stark County Department of Job and Family Services</i>						
Temporary Assistance for Needy Families (TANF)	93.558	2008	155,288		134,509	
Total TANF passed through Stark County Department of Job and Family Services			155,288		134,509	
Total U.S. Dept. of Health and Human Services			<u>236,872</u>		<u>134,509</u>	
Total Federal Financial Assistance			<u>\$ 5,222,319</u>	<u>\$ 82,610</u>	<u>\$ 4,856,023</u>	<u>\$ 82,610</u>

See accompanying notes to schedule of expenditures of federal awards.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2008, the School District had no significant food commodities inventory.

NOTE C: GUARANTEED STUDENT LOANS

For fiscal year 2007-2008, the School District certified \$327,311 in Guaranteed Student Loans and Supplemental Loans.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(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 internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	Yes
(d) (1) (vii)	Major Programs (list): Title II-A Special Education Cluster Title I	CFDA # 84.367 84.027 and 84.173 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

SIGNIFICANT DEFICIENCY

FINDING NUMBER	2008-001
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During our testing of the adult education department we noted there was a lack of segregation of duties between the receipt function and entering the information into the accounts receivable system (excel spreadsheets). In addition, there is no reconciliation performed between the receipts entered into the excel spreadsheets and the receipts entered into the general ledger of the School District. This process subjects the School District to the possibility of adult education receipts not being deposited with the Treasurer.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2008

We recommend the School District establish a process to segregate the receipting function and the posting of the receipts to the student's spreadsheets. In addition, we recommend the School District Adult Education Coordinator review a reconciliation of the receipts entered into the student spreadsheets with the receipts entered into the School District's general ledger on a monthly basis. We also recommend the District purchase separate software, designed to monitor performance (i.e. track payments, accounts receivable, etc.) to ensure proper reporting of adult education activity. Finally, the School District should consider establishing a budget for each class offered and monitor the budget vs. actual amounts on a monthly basis.

School District's Response

We are currently functioning a person short so we are having the secretary at the LPN school update the student records for Adult Education and the PELL coordinator is updating for LPN. Therefore, the same person is not receipting and updating.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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FINDING NUMBER

2008-002

OMB Circular A-133 Section C .320(a) states the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The fiscal year 2008 audit was not filed in compliance with the requirements listed above, and no extension was approved.

We recommend the School District implement a process to ensure timely filing of the data collection form and reporting package in line with the requirements listed above.

School District's Response

We will implement process to ensure timely filing of the data collection form.



Mary Taylor, CPA
Auditor of State

ALLIANCE CITY SCHOOL DISTRICT
STARK 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
MARCH 16, 2010