



Dave Yost • Auditor of State

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Alliance City School District
Stark County
200 Glamorgan St.
Alliance, Ohio 44601

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Alliance City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Alliance City School District, Stark County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2016

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Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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, 2016. 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 2016 are as follows:

- Net position increased \$2,692,078, which represents a 38 percent increase from 2015.
- Capital assets decreased \$803,276 during fiscal year 2016.
- During the year, outstanding debt decreased from \$8,535,791 to \$7,992,360 due to principal payments made by the School District.
- During the year the School District issued \$4,357,879 of unlimited tax general obligation classroom facilities and site acquisition refunding bonds.
- In fiscal year 2016 the School District completed the high school basement and parking lot projects.

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 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 Position 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 School District, the general fund is by far the most significant fund.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain 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 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

These two statements report the School District's net position and changes in net position. This change in net position 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 Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of 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 Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship 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 Position and Changes in Fiduciary Net Position on pages 22 and 23. 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 that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and Other Assets	\$ 23,421,635	\$ 21,699,145
Capital Assets	40,312,236	41,115,512
<i>Total Assets</i>	63,733,871	62,814,657
Deferred Outflows of Resources		
Deferred Charges on Refunding	0	283,150
Pension	4,797,743	3,067,294
<i>Total Deferred Outflows of Resources</i>	4,797,743	3,350,444
Liabilities		
Current and Other Liabilities	4,601,184	5,297,659
Long-Term Liabilities:		
Due Within One Year	1,115,883	1,050,407
Due in More Than One Year		
Net Pension Liability	45,158,408	40,933,837
Other Amounts	9,892,410	10,898,202
<i>Total Liabilities</i>	60,767,885	58,180,105
Deferred Inflows of Resources		
Property Taxes and Other	7,567,566	7,558,452
Pension	4,500,707	7,423,166
<i>Total Deferred Inflows of Resources</i>	12,068,273	14,981,618
Net Position		
Net Investment in Capital Assets	35,136,701	35,382,907
Restricted	5,015,266	5,002,085
Unrestricted	(44,456,511)	(47,381,614)
<i>Total Net Position</i>	\$ (4,304,544)	\$ (6,996,622)

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

During fiscal year 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

At year end, capital assets represented 63 percent of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment, vehicles and textbooks and library books. Net investment in capital assets was \$35,136,701 at June 30, 2016. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$5,015,266 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$44,456,511, which has primarily been caused by GASB 68.

Total deferred outflows of resources increased by \$1,447,299 due to the increase in pension deferred outflows.

The \$3,284,255 increase in long-term liabilities was primarily caused by the increase in net pension liability during 2016. The \$696,475 decrease in current liabilities, primarily accounts payable and intergovernmental payable, is due to the School District paying invoices in a timelier manner in fiscal year 2016.

Total deferred inflows of resources decreased by \$2,913,345 due to the decrease in pension deferred inflows.

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Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,770,283	\$ 1,887,486
Operating Grants	8,266,347	7,779,358
Capital Grants	279,875	4,199
<i>Total Program Revenues</i>	<u>10,316,505</u>	<u>9,671,043</u>
<i>General Revenues:</i>		
Property Taxes	8,189,634	7,276,370
Grants and Entitlements Not Restricted	21,981,185	20,723,490
Other	214,343	240,311
<i>Total General Revenues</i>	<u>30,385,162</u>	<u>28,240,171</u>
<i>Total Revenues</i>	<u>40,701,667</u>	<u>37,911,214</u>
Program Expenses		
<i>Instruction:</i>		
Regular	16,119,788	16,118,233
Special	5,296,919	5,127,992
Vocational	1,370,216	1,271,735
Adult/Continuing	523,754	530,570
Student Intervention Services	375,498	371,617
Other	46,195	165,704
<i>Support Services:</i>		
Pupils	1,489,914	1,384,551
Instructional Staff	1,099,239	1,319,902
Board of Education	52,607	54,965
Administration	2,574,704	2,440,815
Fiscal	754,626	672,111
Business	393,648	420,657
Operation and Maintenance of Plant	3,183,867	3,588,028
Pupil Transportation	1,095,868	970,235
Central	408,415	345,500
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,624,483	1,550,678
Community Services	143,709	113,266
Extracurricular Activities	883,233	853,851
<i>Debt Service:</i>		
Interest and Fiscal Charges	468,419	511,763
Issuance Costs	104,487	0
<i>Total Expenses</i>	<u>38,009,589</u>	<u>37,812,173</u>
<i>Increase (Decrease) in Net Position</i>	2,692,078	99,041
<i>Net Position at Beginning of Year</i>	<u>(6,996,622)</u>	<u>(7,095,663)</u>
<i>Net Position at End of Year</i>	<u>\$ (4,304,544)</u>	<u>\$ (6,996,622)</u>

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Capital grants increased by \$275,676 due to donations received for renovations to the high school. Property taxes increased \$913,264 due to a triennial update and the increase of delinquency collections.

Operation and maintenance of plant expenditures decreased \$404,161 in fiscal year 2016 compared to 2015. This decreased was contributed to fewer repairs being made in fiscal year 2016.

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.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
Instruction:				
Regular	\$ 16,119,788	\$ 16,118,233	\$ 14,874,395	\$ 14,376,759
Special	5,296,919	5,127,992	1,156,930	1,243,389
Vocational	1,370,216	1,271,735	1,025,544	846,434
Adult/Continuing	523,754	530,570	38,648	(25,747)
Student Intervention Services	375,498	371,617	375,498	196,146
Other	46,195	165,704	46,195	197,883
Support Services:				
Pupils	1,489,914	1,384,551	1,380,300	1,255,695
Instructional Staff	1,099,239	1,319,902	640,095	614,922
Board of Education	52,607	54,965	52,607	39,335
Administration	2,574,704	2,440,815	2,155,904	1,978,729
Fiscal	754,626	672,111	714,622	663,398
Business	393,648	420,657	381,410	222,475
Operation and Maintenance of Plant	3,183,867	3,588,028	2,881,040	3,211,625
Pupil Transportation	1,095,868	970,235	1,014,620	788,335
Central	408,415	345,500	305,420	245,687
Operation of Non-Instructional Services:				
Food Service Operations	1,624,483	1,550,678	(340,492)	(226,594)
Community Services	143,709	113,266	22,517	14,923
Extracurricular Activities	883,233	853,851	524,930	517,298
Debt Service:				
Interest and Fiscal Charges	468,419	511,763	338,414	408,799
Issuance Costs	104,487	0	104,487	0
Total Expenses	\$ 38,009,589	\$ 37,812,173	\$ 27,693,084	\$ 26,569,491

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The dependence upon general revenues for governmental activities is apparent. Over 73 percent of governmental activities are supported through taxes and other general revenues; such revenues are 75 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. The net change in fund balances for the fiscal year was an increase of \$2,036,178 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2016 was an increase of \$2,511,719. The main increase was in intergovernmental revenue, which increased \$1,506,309 due to additional State foundation revenue in fiscal year 2016.

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 2016, the School District did amend 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, actual revenue was \$1,895,854 higher than the final budget basis revenue. The majority of this difference was due to an underestimation of tax receipts and State foundation.

Final appropriations of \$32,146,918 were \$1,091,910 higher than the actual expenditures of \$31,055,008. This difference is due to overestimating of insurance premium and then receiving a premium holiday and overestimating capital outlay for a bus purchase that was then not received until fiscal year 2017.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$40,312,236 invested in capital assets. Table 4 shows fiscal year 2016 balances compared with 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 2,322,643	\$ 2,322,643
Construction in Progress	321,448	353,753
Buildings and Building Improvements	36,280,544	36,808,400
Furniture and Fixtures	1,057,975	1,199,894
Vehicles	329,626	417,478
Textbooks and Library Books	0	13,344
<i>Totals</i>	<u>\$ 40,312,236</u>	<u>\$ 41,115,512</u>

The \$803,276 decrease in capital assets was attributable to depreciation exceeding additional purchases in the current year. In fiscal year 2016 the School District completed the high school basement and parking lot projects. See Note 9 for more information about the capital assets of the School District.

Debt

At June 30, 2016, the School District had \$7,992,360 in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2016	2015
Various Serial and Term Bonds	\$ 6,004,000	\$ 7,554,000
Various Capital Appreciation Bonds	1,988,360	981,791
<i>Total</i>	<u>\$ 7,992,360</u>	<u>\$ 8,535,791</u>

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

In fiscal year 2016 the School District issued \$4,357,879 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$3,580,000 and \$777,879, respectively. The bonds advance refunded \$4,385,000 of outstanding 2006 Classroom Facilities and Site Acquisition Refunding General Obligation Bonds. The bonds were issued for a seven year period with final maturity at December 31, 2022. At the date of refunding, \$4,587,260 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. The refunded bonds were called on June 1, 2016.

Current Issues

The Board of Education and administration closely monitor revenues and expenditures. The financial future of the School District relies heavily on the State's educational funding system. This funding system changes after each election. Due to the ever changing school funding system management is required to plan carefully to provide the resources to meet student needs into the future. The School District has challenges locally as well; property tax revenue fluctuates greatly from refunds, delinquencies and decreased taxable values. Losses of tangible personal property tax and reimbursement from the State will continue to place a financial strain on the School District.

Contacting the School 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 School 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 of the Alliance City School District, 200 Glamorgan St., Alliance, OH 44601 or heathki@alliancecityschools.org.

Alliance City School District
Stark County, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 11,259,616
Cash and Investments Held with Trustee	945,809
Receivables:	
Accounts	9,104
Intergovernmental	967,687
Property Taxes	10,239,419
Nondepreciable Capital Assets	2,644,091
Depreciable Capital Assets (Net)	37,668,145
<i>Total Assets</i>	63,733,871
 Deferred Outflows of Resources	
Pension	4,797,743
 Liabilities	
Accounts Payable	181,347
Accrued Wages and Benefits	3,491,564
Contracts Payable	229,508
Intergovernmental Payable	513,814
Retainage Payable	25,716
Accrued Vacation Leave Payable	116,404
Matured Compensated Absences Payable	24,897
Accrued Interest Payable	17,934
Long Term Liabilities:	
Due Within One Year	1,115,883
Due In More Than One Year:	
Net Pension Liability	45,158,408
Other Amonts Due in More Than One Year	9,892,410
<i>Total Liabilities</i>	60,767,885
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	7,567,566
Pension	4,500,707
<i>Total Deferred Inflows of Resources</i>	12,068,273
 Net Position	
Net Investment in Capital Assets	35,136,701
Restricted For:	
Capital Outlay	500,147
Debt Service	833,165
Other Purposes	3,681,954
Unrestricted	(44,456,511)
<i>Total Net Position</i>	\$ (4,304,544)

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services and Sales	Operating Grants, Contributions and Interest		Capital Grants, Contributions and Interest
				Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 16,119,788	\$ 808,272	\$ 437,121	\$ 0	\$ (14,874,395)
Special	5,296,919	33,631	4,106,358	0	(1,156,930)
Vocational	1,370,216	0	344,672	0	(1,025,544)
Adult/Continuing	523,754	353,335	131,771	0	(38,648)
Student Intervention Services	375,498	0	0	0	(375,498)
Other	46,195	0	0	0	(46,195)
Support Services:					
Pupils	1,489,914	15,744	93,870	0	(1,380,300)
Instructional Staff	1,099,239	0	459,144	0	(640,095)
Board of Education	52,607	0	0	0	(52,607)
Administration	2,574,704	128,674	290,126	0	(2,155,904)
Fiscal	754,626	29,078	10,926	0	(714,622)
Business	393,648	9,289	2,949	0	(381,410)
Operation and Maintenance of Plant	3,183,867	2,508	20,444	279,875	(2,881,040)
Pupil Transportation	1,095,868	0	81,248	0	(1,014,620)
Central	408,415	2,305	100,690	0	(305,420)
Operation of Non-Instructional Services:					
Food Service Operations	1,624,483	48,568	1,916,407	0	340,492
Community Services	143,709	0	121,192	0	(22,517)
Extracurricular Activities	883,233	338,879	19,424	0	(524,930)
Debt Service:					
Interest and Fiscal Charges	468,419	0	130,005	0	(338,414)
Issuance Costs	104,487	0	0	0	(104,487)
Total	\$ 38,009,589	\$ 1,770,283	\$ 8,266,347	\$ 279,875	(27,693,084)

General Revenues

Property Taxes Levied for:

General Purposes	7,042,190
Debt Service	808,281
Capital Outlay	241,268
Other Purposes	97,895
Grants and Entitlements Not Restricted to Specific Programs	21,981,185
Investment Earnings	90,319
Miscellaneous	124,024
Total General Revenues	30,385,162
 <i>Change in Net Position</i>	 2,692,078
 <i>Net Position Beginning of Year</i>	 (6,996,622)
<i>Net Position End of Year</i>	<u>\$ (4,304,544)</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 6,699,376	\$ 4,560,240	\$ 11,259,616
Cash and Investments Held with Trustee	945,809	0	945,809
Receivables:			
Accounts	8,526	578	9,104
Interfund	231,424	0	231,424
Intergovernmental	23,814	943,873	967,687
Property Taxes	8,777,448	1,461,971	10,239,419
<i>Total Assets</i>	<u>\$ 16,686,397</u>	<u>\$ 6,966,662</u>	<u>\$ 23,653,059</u>
Liabilities			
Accounts Payable	\$ 170,161	\$ 11,186	\$ 181,347
Accrued Wages and Benefits	2,959,219	532,345	3,491,564
Contracts Payable	0	229,508	229,508
Intergovernmental Payable	432,281	81,533	513,814
Retainage Payable	0	25,716	25,716
Matured Compensated Absences Payable	24,897	0	24,897
Interfund Payable	0	231,424	231,424
<i>Total Liabilities</i>	<u>3,586,558</u>	<u>1,111,712</u>	<u>4,698,270</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	6,513,935	1,053,631	7,567,566
Unavailable Revenue	1,961,023	816,805	2,777,828
<i>Total Deferred Inflows of Resources</i>	<u>8,474,958</u>	<u>1,870,436</u>	<u>10,345,394</u>
Fund Balances			
Nonspendable	4,368	0	4,368
Restricted	945,809	4,253,701	5,199,510
Committed	173,506	0	173,506
Assigned	173,617	0	173,617
Unassigned	3,327,581	(269,187)	3,058,394
<i>Total Fund Balances</i>	<u>4,624,881</u>	<u>3,984,514</u>	<u>8,609,395</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 16,686,397</u>	<u>\$ 6,966,662</u>	<u>\$ 23,653,059</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances		\$ 8,609,395
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		40,312,236
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 462,356	
Federal Interest Subsidy	10,730	
Property Taxes	<u>2,304,742</u>	2,777,828
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(17,934)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	4,797,743	
Deferred Inflows - Pension	(4,500,707)	
Net Pension Liability	<u>(45,158,408)</u>	(44,861,372)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(6,004,000)	
Capital Appreciation Bonds	(961,859)	
Bond Premium	(238,965)	
Accretion of Interest - Capital Appreciation Bonds	(1,026,501)	
Vacations Payable	(116,404)	
Compensated Absences	<u>(2,776,968)</u>	<u>(11,124,697)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ (4,304,544)</u></u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 6,969,990	\$ 1,136,284	\$ 8,106,274
Intergovernmental	24,864,841	5,235,729	30,100,570
Investment Income	90,321	11,965	102,286
Tuition and Fees	1,083,138	232,958	1,316,096
Extracurricular Activities	52,241	305,647	357,888
Charges for Services	32,277	64,024	96,301
Contributions and Donations	13,941	104,057	117,998
Miscellaneous	97,956	29,290	127,246
<i>Total Revenues</i>	<u>33,204,705</u>	<u>7,119,954</u>	<u>40,324,659</u>
Expenditures			
Current:			
Instruction:			
Regular	14,364,524	352,817	14,717,341
Special	3,874,144	1,512,220	5,386,364
Vocational	1,286,144	77,202	1,363,346
Adult Education	311,878	214,430	526,308
Student Intervention Services	383,346	0	383,346
Other	46,195	0	46,195
Support Services:			
Pupils	1,400,223	111,085	1,511,308
Instructional Staff	608,553	501,635	1,110,188
Board of Education	52,651	0	52,651
Administration	2,252,669	336,143	2,588,812
Fiscal	657,771	95,987	753,758
Business	379,727	0	379,727
Operation and Maintenance of Plant	3,040,306	976,037	4,016,343
Pupil Transportation	999,583	4,600	1,004,183
Central	251,309	135,354	386,663
Extracurricular Activities	578,702	309,071	887,773
Operation of Non-Instructional Services:			
Food Service Operations	0	1,725,286	1,725,286
Community Services	1,274	139,600	140,874
Capital Outlay	49,017	255,224	304,241
Debt Service:			
Principal Retirement	15,000	730,000	745,000
Interest and Fiscal Charges	139,970	216,577	356,547
Issuance Costs	0	104,487	104,487
<i>Total Expenditures</i>	<u>30,692,986</u>	<u>7,797,755</u>	<u>38,490,741</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,511,719</u>	<u>(677,801)</u>	<u>1,833,918</u>
Other Financing Sources (Uses)			
Proceeds of Refunding Bonds	0	4,357,879	4,357,879
Premium on Refunding Bonds Issued	0	229,381	229,381
Payment to Refunding Escrow Agent	0	(4,385,000)	(4,385,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>202,260</u>	<u>202,260</u>
<i>Net Change in Fund Balance</i>	2,511,719	(475,541)	2,036,178
<i>Fund Balances Beginning of Year</i>	<u>2,113,162</u>	<u>4,460,055</u>	<u>6,573,217</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,624,881</u>	<u>\$ 3,984,514</u>	<u>\$ 8,609,395</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
*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, 2016*

Net Change in Fund Balances - Total Governmental Funds	\$	2,036,178
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 1,011,383	
Current Year Depreciation	<u>(1,814,659)</u>	(803,276)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	83,360	
Federal Interest Subsidy	10,730	
Intergovernmental	<u>282,918</u>	377,008
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		745,000
Other financing sources/uses in the governmental funds impact long-term liabilities on the statement of net position.		
Proceeds of Refunding Bonds	(4,357,879)	
Payments to Refunding Bond Escrow Agent	4,385,000	
Bond Premium	<u>(229,381)</u>	(202,260)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		2,659,600
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(2,231,263)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	11,393	
Amortization of Premium on Bonds	46,027	
Removal of Premium on Refunded Bonds	342,548 *	
Removal of Refunding Loss on Refunded Bonds	<u>(283,150) *</u>	116,818
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	237,691	
Vacations Payable	<u>(14,728)</u>	222,963
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		
		<u>(228,690)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>2,692,078</u></u>

* Resulted in a new accounting gain of \$80,044. This amount is immaterial and was therefore recognized in fiscal year 2016, rather than being amortized.

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Taxes	\$ 6,669,119	\$ 6,669,119	\$ 6,769,043	\$ 99,924
All Other Sources	23,986,712	23,986,712	25,782,642	1,795,930
<i>Total Revenues and Other Financing Sources</i>	<u>30,655,831</u>	<u>30,655,831</u>	<u>32,551,685</u>	<u>1,895,854</u>
Expenditures and Other Financing Uses	<u>31,946,918</u>	<u>32,146,918</u>	<u>31,055,008</u>	<u>1,091,910</u>
<i>Net Change in Fund Balance</i>	(1,291,087)	(1,491,087)	1,496,677	2,987,764
<i>Fund Balance Beginning of Year</i>	4,526,203	4,526,203	4,526,203	0
Prior Year Encumbrances Appropriated	<u>490,779</u>	<u>490,779</u>	<u>490,779</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 3,725,895</u>	<u>\$ 3,525,895</u>	<u>\$ 6,513,659</u>	<u>\$ 2,987,764</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 102,154	\$ 166,603
Accounts Receivable	0	2,502
<i>Total Assets</i>	102,154	\$ 169,105
Liabilities		
Accounts Payable	0	\$ 2,180
Due to Students	0	166,925
<i>Total Liabilities</i>	0	\$ 169,105
Net Position		
Held in Trust for Scholarships	\$ 102,154	

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions	
Contributions and Donations	\$ 1,230
Investment Earnings	606
	1,836
<i>Total Additions</i>	<i>1,836</i>
Deductions	
Payments in Accordance with Trust Agreements	6,300
	(4,464)
<i>Change in Net Position</i>	<i>(4,464)</i>
<i>Net Position Beginning of Year</i>	<i>106,618</i>
<i>Net Position End of Year</i>	<i>\$ 102,154</i>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

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 Treasurer 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 Stark County Schools Council of Governments Health Benefit Plan and the Stark County Schools Council of Governments Workers’ Compensation Group Rating Plan. They are presented in Notes 15 and 16.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position 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 Position 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 deferred outflows of resources and liabilities and deferred inflows of resources 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
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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, Pell grant activity, worker's compensation and Ohio High School Athletic Association tournaments.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decrease (i.e. expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 and is excluded from the governmental activities. Agency funds do not report a measurement focus as they do not report operations.

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 inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 11).

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the operating statement as an expenditure/expense with a like amount reported as intergovernmental revenue.

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.

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 Investments

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 investments" on the financial statements.

During fiscal year 2016, investments were limited to a money market, mutual funds, certificates of deposit and STAR Ohio.

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 are reported at cost.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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 2016 amounted to \$90,321, which includes \$24,118 assigned from other School District funds.

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 presented on the financial statements as “equity in pooled cash and investments.” Investments with an original maturity of more than three months are reported as “investments.”

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/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 materials and supplies held for consumption and donated and purchased food held for resale.

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

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

I. 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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

K. 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 net pension liability 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.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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, 2016, none of the School District's net positions were restricted by enabling legislation. Net position 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 position is available.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

N. 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.

O. 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 2016.

P. 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.

Q. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2016, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the School District's fiscal year 2016 note disclosures; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

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For the Fiscal Year Ended June 30, 2016
(Continued)

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School District.

NOTE 3 – DEFICIT FUND BALANCES

Deficit fund balances at June 30, 2016 include the following individual fund deficits:

<u>Non-Major Funds</u>	
Public Preschool	\$ 13,495
Carl Perkins Grant	8,604
Title VI-B	59,203
Title VI-B Preschool	1,434
Title I	170,716
Title II-A	15,735

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:

- 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 an assignment of fund balance (GAAP basis).
- 4) Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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.

Alliance City School District
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For the Fiscal Year Ended June 30, 2016
(Continued)

Net Change in Fund Balance

GAAP Basis	\$	2,511,719
Net Adjustment for Revenue Accruals		(187,773)
Net Adjustment for Expenditure Accruals		(700,674)
Funds Budgeted Elsewhere		49,487
Adjustment for Encumbrances		<u>(176,082)</u>
Budget Basis	\$	<u>1,496,677</u>

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes uniform school supplies, adult continuing education, customer service and public school support funds.

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.

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;

Alliance City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

- 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;
- 6) The State Treasurer's Investment Pool (STAR Ohio and STAR Plus);
- 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 40 percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate note 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.

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 fiscal year 2016, the School District and public depositories complied with the provisions of these statutes.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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 \$5,477,288, which includes \$175 cash on hand. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2016, \$931,285 of the School District’s bank balance of \$5,746,847 was exposed to custodial risk as discussed above, while \$4,815,562 was covered by Federal Deposit Insurance Corporation.

Funds Held by Trustee

Huntington National Bank acts as a trustee for the School District. Huntington National Bank held an account as of June 30, 2016, \$945,809. This money is held in trustee accounts in a sinking fund for the repayment of bonds on December 1, 2024. Collateral is held on direct deposit with the Federal Reserve.

Investments

As of June 30, 2016, the School District had the following investments and maturities:

<u>Rating</u>	<u>Investment Type</u>	<u>Measurement Amount</u>	<u>Investment Maturities 6 Months or Less</u>	<u>Percent of Total</u>
N/A	AIM Government & Agency Mutual Funds	\$ 11,365	\$ 11,365	0.19%
AAAm	STAR Ohio	6,039,720	6,039,720	99.81%
		<u>\$ 6,051,085</u>	<u>\$ 6,051,085</u>	<u>100.00%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District’s recurring fair value measurements as of June 30, 2016. As discussed further in Note 2, STAR Ohio is reported at its share price. The mutual funds are considered Level 1 investments.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Alliance City School District
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(Continued)

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 The AIM Government & Agency mutual funds are unrated. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2016, is 49 days and carries a rating of AAAm by S&P Global Ratings.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage of total of each investment type held by the School District at June 30, 2016.

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 and public utility property located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The 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 County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The amount available as an advance at June 30, 2016 was \$313,220 in the general fund, \$34,340 in the bond retirement fund, \$11,190 in the permanent improvement fund and \$8,362 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2015, was \$112,274 in the general fund, \$15,155 in the bond retirement fund, \$4,603 in the permanent improvement fund and \$3,962 in the classroom facilities maintenance fund.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property

Alliance City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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 deferred inflows of resources.

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 208,484,691	95%	\$ 209,716,550	94%
Public Utility Personal Property	11,343,960	5%	12,618,690	6%
 Total Assessed Value	 \$ 219,828,651	 100%	 \$ 222,335,240	 100%
 Tax rate per \$1,000 of Assessed Value	 \$ 62.20		 \$ 61.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, accounts (tuition and fees), interfund and intergovernmental. 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 - INTERFUND BALANCES

Interfund balances at June 30, 2016 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 231,424	\$ 0
Other Governmental Funds:		
Carl Perkins Grant	0	29,245
Public Preschools	0	7,326
Preschool Grant	0	815
Tittle I	0	113,332
Title VI-B	0	56,595
Title II-A	0	24,111
 Total	 \$ 231,424	 \$ 231,424

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 06/30/2015	Additions	Reductions	Balance 06/30/2016
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 2,322,643	\$ 0	\$ 0	\$ 2,322,643
Construction in Progress	353,753	900,020	(932,325)	321,448
<i>Total Nondepreciable Capital Assets</i>	<u>2,676,396</u>	<u>900,020</u>	<u>(932,325)</u>	<u>2,644,091</u>
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	56,810,911	932,325	0	57,743,236
Furniture and Equipment	3,758,111	111,363	(10,420)	3,859,054
Vehicles	1,302,748	0	0	1,302,748
Textbooks and Library Books	1,651,978	0	0	1,651,978
<i>Total Capital Assets, Being Depreciated</i>	<u>63,523,748</u>	<u>1,043,688</u>	<u>(10,420)</u>	<u>64,557,016</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(20,002,510)	(1,460,182)	0	(21,462,692)
Furniture and Equipment	(2,558,218)	(253,281)	10,420	(2,801,079)
Vehicles	(885,270)	(87,852)	0	(973,122)
Textbooks and Library Books	(1,638,634)	(13,344)	0	(1,651,978)
Total Accumulated Depreciation	<u>(25,084,632)</u>	<u>(1,814,659) *</u>	<u>10,420</u>	<u>(26,888,871)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>38,439,116</u>	<u>(770,971)</u>	<u>0</u>	<u>37,668,145</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 41,115,512</u>	<u>\$ 129,049</u>	<u>\$ (932,325)</u>	<u>\$ 40,312,236</u>

Alliance City School District
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For the Fiscal Year Ended June 30, 2016
(Continued)

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 1,478,575
Special	0
Vocational	30,416
Adult	11,694
Support Services:	
Instructional Staff	18,612
Administration	6,465
Business	12,035
Operation and Maintenance of Plant	121,572
Pupil Transportation	90,692
Central	21,905
Operation of Non-Instructional Services:	
Food Service Operations	16,968
Community Services	4,356
Extracurricular Activities	1,369
	1,369
Total Depreciation Expense	\$ 1,814,659

NOTE 10 – 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. The School District has contracted with The Liberty Mutual Insurance Company for property, general liability, fleet, equipment, boilers, umbrella, and inland marine insurance. The School District carries a \$137,334,572 blanket policy with a \$5,000 deductible on the buildings and personal property. Vehicles have a \$500 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

General liability has a \$1,000,000 single occurrence limit and a \$2,000,000 general aggregate limit with no deductible. School leaders errors and omissions liability has a \$1,000,000 each wrongful act limit and \$1,000,000 aggregate limit with a \$2,500 deductible. The School District has an umbrella liability with a \$5,000,000 each occurrence limit and a \$5,000,000 aggregate limit.

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.

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(Continued)

B. Workers' Compensation

The School District participates in the Stark County Schools' Council of Government Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 16). 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 worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension

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Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$680,816 for fiscal year 2016. Of this amount, \$62,700 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,978,784 for fiscal year 2016. Of this amount, \$329,930 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 37,331,823	\$ 7,826,585	\$ 45,158,408
Proportion of the Net Pension Liability	0.13507878%	0.13716180%	
Pension Expense	\$ 1,569,536	\$ 661,727	\$ 2,231,263

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At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 1,712,557	\$ 123,826	\$ 1,836,383
Changes in proportion	0	301,760	301,760
School District contributions subsequent to the measurement date	1,978,784	680,816	2,659,600
Total Deferred Outflows of Resources	<u>\$ 3,691,341</u>	<u>\$ 1,106,402</u>	<u>\$ 4,797,743</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 2,890,415	\$ 217,313	\$ 3,107,728
Changes in proportion	1,392,979	0	1,392,979
Total Deferred Inflows of Resources	<u>\$ 4,283,394</u>	<u>\$ 217,313</u>	<u>\$ 4,500,707</u>

\$2,659,600 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (1,019,081)	\$ 15,498	\$ (1,003,583)
2018	(1,019,081)	15,498	(1,003,583)
2019	(1,019,085)	14,930	(1,004,155)
2020	486,409	162,348	648,757
	<u>\$ (2,570,838)</u>	<u>\$ 208,273</u>	<u>\$ (2,362,565)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the

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historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

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Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 10,852,661	\$ 7,826,585	\$ 5,278,380

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected Salary Increase	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 51,856,719	\$ 37,331,824	\$ 25,048,858

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(Continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$65,570, \$106,983 and \$68,602, respectively. For fiscal year 2016, 91 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System

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

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$147,884, respectively. The full amount has been contributed for fiscal year 2014.

NOTE 13 – 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 25 days.

All non-seasonal and non-part time 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 based on a formula. The formula is 0.6 percent of final contract salary times 65 days times (Accumulated sick days (maximum 120) divided by 120).

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For the Fiscal Year Ended June 30, 2016
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2016 were as follows:

	Outstanding 06/30/2015	Additions	Deductions	Outstanding 6/30/2016	Due Within One Year
Governmental Activities					
Limited Tax General Obligation Energy					
Conservation Improvement Bonds					
\$2,256,000 5.70%	\$ 2,259,000	\$ 0	\$ 0	\$ 2,259,000	\$ 0
Unamortized Premium	28,669	0	(3,156)	25,513	0
2016 UTGO Classroom Facilities and Site					
Acquisition Refunding Bonds					
\$4,357,879 1.00-2.50%					
Serial Bonds	0	3,580,000	0	3,580,000	0
Capital Appreciation Bonds	0	777,879	0	777,879	777,879
Accretion on Capital Appreciation Bonds	0	40,400	0	40,400	40,400
Unamortized Premium	0	229,381	(15,929)	213,452	0
2007 Classroom Facilities and Site Acquisition					
Refunding Bonds -					
\$7,653,980 - 4.00-4.55% Serial and					
Term Bonds	5,115,000	0	(5,115,000)	0	0
Capital Appreciation Bonds	183,980	0	0	183,980	0
Accretion on Capital Appreciation Bonds	797,811	188,290	0	986,101	0
Unamortized Premium	369,490	0	(369,490)	0	0
2009 Qualified School Construction Bonds					
\$255,000 1.79%	180,000	0	(15,000)	165,000	15,000
<i>Total General Obligation Bonds</i>	<u>8,933,950</u>	<u>4,815,950</u>	<u>(5,518,575)</u>	<u>8,231,325</u>	<u>833,279</u>
Net Pension Liability:					
STRS	34,337,252	2,994,571	0	37,331,823	0
SERS	6,596,585	1,230,000	0	7,826,585	0
<i>Total Net Pension Liability</i>	<u>40,933,837</u>	<u>4,224,571</u>	<u>0</u>	<u>45,158,408</u>	<u>0</u>
Compensated Absences	<u>3,014,659</u>	<u>218,401</u>	<u>(456,092)</u>	<u>2,776,968</u>	<u>282,604</u>
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 52,882,446</u>	<u>\$ 9,258,922</u>	<u>\$ (5,974,667)</u>	<u>\$ 56,166,701</u>	<u>\$ 1,115,883</u>

General obligation bonds will be paid from tax revenues in the general and debt service funds. Compensated absences will be paid from the general and food service funds. Conservation bonds will be paid from the general fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

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2009 Qualified School Construction Bonds

On December 17, 2009, the School District issued \$255,000 of general obligation bonds. The bonds were issued for the purpose of various construction and renovations projects throughout the School District. The bonds were issued for a fifteen year period with a final maturity at September 15, 2024.

2007 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.

On February 2, 2016 the School District refunded \$765,000 and \$3,620,000 of 2007 classroom facilities and site acquisition serial and term bonds, respectively. The 2007 classroom facilities and site acquisition bonds were refunded with 2016 unlimited tax general obligation classroom facilities and site acquisition refunding bonds.

The capital appreciation bonds will mature December 1, 2017. 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 2016 accretion amount is \$188,290.

Limited Tax General Obligation Energy Conservation Improvement Bonds

On August 3, 2010, the School District issued term bonds in the amount of \$2,259,000. The bonds were issued for the purpose of improvements to school buildings for energy conservation. The bonds were issued for a fourteen year period with a final maturity at December 1, 2024.

The bonds were issued with a premium of \$44,186, 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 2016 was \$3,156.

These bonds mature on December 1, 2024. The School District is required to make annual interest and sinking fund payments over a fifteen year period to Huntington Bank, the Trustee, which will pay the annual interest. The sinking fund payments began in fiscal year 2011. They are accumulated in a trust account with Huntington Bank, and are reported as "Cash and Investments Held with Trustee" on the financial statements.

2016 Unlimited Tax General Obligation Classroom Facilities and Site Acquisition Refunding Bonds

On February 2, 2016, the School District issued \$4,357,879 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$3,580,000 and \$777,879, respectively. The bonds advance refunded \$4,385,000 of outstanding 2007 Classroom Facilities and Site Acquisition Refunding General Obligation Bonds. The bonds were issued for a seven year period with final maturity at December 31,

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2022. At the date of refunding, \$4,587,260 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. The refunded bonds were called on June 1, 2016.

These refunding bonds were issued with a premium of \$229,381, which is reported as an increase to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2016 was \$15,929.

The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$124,894. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$420,970. The issuance resulted in an economic gain of \$407,090.

The \$4,357,879 bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 1.00-2.50 percent.

The capital appreciation bond matures December 1, 2016. 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 \$860,000. For fiscal year 2016, the accretion amount was \$40,400.

Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/Accretion
2017	\$ 15,000	\$ 207,657	\$ 777,879	\$ 82,121	\$ 792,879	\$ 289,778
2018	30,000	207,314	99,930	710,070	129,930	917,384
2019	30,000	206,820	84,050	735,950	114,050	942,770
2020	870,000	197,857	0	0	870,000	197,857
2021	895,000	180,249	0	0	895,000	180,249
2022-2025	4,164,000	497,222	0	0	4,164,000	497,222
Total	\$ 6,004,000	\$ 1,497,119	\$ 961,859	\$ 1,528,141	\$ 6,965,859	\$ 3,025,260

NOTE 15 – 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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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, 2016, the School District paid \$113,301 to SPARCC.

NOTE 16 – 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.

B. Insurance Purchasing Pool

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The group is comprised of the superintendents of the members who have been appointed by the respective governing body of each member.

NOTE 17 – CONTINGENCIES AND COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

C. School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 18 – COMMITMENTS

A. Contractual Commitments

At June 30, 2016, the School District had the following contractual commitments:

	Amount of Contracts	Expenditures as of 6/30/16	Amount Remaining on Contracts
New Addition	\$ 694,067	\$ 321,448	\$ 372,619

B. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$79,120 in the general fund and \$499,906 in nonmajor governmental funds.

NOTE 19 – 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 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 and carried forward to be used for the same purposes in future years.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2016	\$ 0
Current Year Set-Aside Requirement	497,939
Current Year Offsets	(487,372)
Prior Year Offsets from Bond Proceeds	(10,567)
Totals	\$ 0
Balance Carried Forward to Fiscal Year 2017	\$ 0
Set-Aside Restricted Balance as of June 30, 2016	\$ 0

The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$6,545,299 at June 30, 2016.

NOTE 20 – SUBSEQUENT EVENT

On July 14, 2016 the School District issued \$1,000,000 in 2016 qualified zone academy bond proceeds for the remodeling of Northside Intermediate School. The bonds were issued with a 4.230 percent interest rate and will mature on December 1, 2030.

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Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

NOTE 21 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented as follows:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:			
Unclaimed Monies	4,368	0	4,368
Restricted for:			
Sinking Fund	945,809	0	945,809
Debt Service	0	625,998	625,998
Capital Outlay	0	168,651	168,651
Student Activities	0	133,808	133,808
Facilities Maintenance	0	1,749,008	1,749,008
Food Service	0	1,433,829	1,433,829
Other Purposes	0	142,407	142,407
Total Restricted	<u>945,809</u>	<u>4,253,701</u>	<u>5,199,510</u>
Committed for:			
District Technology	20,122	0	20,122
Career Technology	103,713	0	103,713
Instructional Materials	49,671	0	49,671
Total Committed	<u>173,506</u>	<u>0</u>	<u>173,506</u>
Assigned for:			
Subsequent Year Appropriations	94,497	0	94,497
Encumbrances:			
Instruction	58,091	0	58,091
Support Services	21,029	0	21,029
Total Assigned	<u>173,617</u>	<u>0</u>	<u>173,617</u>
Unassigned	<u>3,327,581</u>	<u>(269,187)</u>	<u>3,058,394</u>
<i>Total Fund Balance</i>	<u>\$ 4,624,881</u>	<u>\$ 3,984,514</u>	<u>\$ 8,609,395</u>

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Alliance City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>			
School District's Proportion of the Net Pension Liability	0.13507878%	0.14116927%	0.14116927%
School District's Proportionate Share of the Net Pension Liability	\$ 37,331,824	\$ 34,337,252	\$ 40,902,310
School District's Covered-Employee Payroll	\$ 14,471,986	\$ 14,788,400	\$ 14,213,000
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	257.96%	232.19%	287.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>			
School District's Proportion of the Net Pension Liability	0.13716180%	0.13034300%	0.13034300%
School District's Proportionate Share of the Net Pension Liability	\$ 7,826,585	\$ 6,596,585	\$ 7,751,080
School District's Covered-Employee Payroll	\$ 4,965,865	\$ 4,420,664	\$ 4,386,655
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	157.61%	149.22%	176.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

Alliance City School District
Stark County, Ohio
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,978,784	\$ 2,026,078	\$ 1,922,492	\$ 1,847,690
Contributions in Relation to the Contractually Required Contribution	<u>(1,978,784)</u>	<u>(2,026,078)</u>	<u>(1,922,492)</u>	<u>(1,847,690)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 14,134,171	\$ 14,471,986	\$ 14,788,400	\$ 14,213,000
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 680,816	\$ 654,501	\$ 612,704	\$ 607,113
Contributions in Relation to the Contractually Required Contribution	<u>(680,816)</u>	<u>(654,501)</u>	<u>(612,704)</u>	<u>(607,113)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered-Employee Payroll	\$ 4,862,971	\$ 4,965,865	\$ 4,420,664	\$ 4,386,655
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,872,099	\$ 2,087,356	\$ 2,028,150	\$ 2,016,443	\$ 1,985,962	\$ 2,150,160
<u>(1,872,099)</u>	<u>(2,087,356)</u>	<u>(2,028,150)</u>	<u>(2,016,443)</u>	<u>(1,985,962)</u>	<u>(2,150,160)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 14,400,762	\$ 16,056,585	\$ 15,601,154	\$ 15,511,100	\$ 15,276,631	\$ 16,539,692
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 578,493	\$ 501,113	\$ 587,605	\$ 369,851	\$ 576,848	n/a
<u>(578,493)</u>	<u>(501,113)</u>	<u>(587,605)</u>	<u>(369,851)</u>	<u>(576,848)</u>	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a
\$ 4,301,063	\$ 3,986,579	\$ 4,339,771	\$ 3,758,648	\$ 5,874,216	n/a
13.45%	12.57%	13.54%	9.84%	9.82%	n/a

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**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Total Federal Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	043497-3L70-2016		395,194	
National School Lunch Program	10.555	043497-3L60-2016		1,312,864	116,105
Summer Food Service Program for Children	10.559	043497-3GE0-2016		107,332	
Total Child Nutrition Cluster				<u>1,815,390</u>	<u>116,105</u>
Total U.S. Department of Agriculture				<u>1,815,390</u>	<u>116,105</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	043497-3M00-2015		310,847	
Title I Grants to Local Educational Agencies	84.010	043497-3M00-2016		1,334,819	
Total Title I Grants to Local Educational Agencies				<u>1,645,666</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	043497-3M20-2015		127,269	
Special Education Grants to States	84.027	043497-3M20-2016		572,444	
Special Education Preschool Grants	84.173	043497-3C50-2015		3,411	
Special Education Preschool Grants	84.173	043497-3C50-2016		14,180	
Total Special Education Cluster				<u>717,304</u>	
Supporting Effective Instruction State Grants	84.367	043497-3Y60-2015		39,126	
Supporting Effective Instruction State Grants	84.367	043497-3Y60-2016		139,564	
Total Supporting Effective Instruction State Grants				<u>178,690</u>	
Career and Technical Education - Basic Grants to States	84.048	043497-3L90-2015		38,748	
Career and Technical Education - Basic Grants to States	84.048	043497-3L90-2016		114,865	
Total Career and Technical Education - Basic Grants to States				<u>153,613</u>	
<i>Direct</i>					
Student Financial Aid Cluster					
Federal Pell Grant Program	84.063	N/A		296,433	
Federal Direct Student Loans	84.268	N/A		369,220	
Total Student Financial Aid Cluster				<u>665,653</u>	
Total U.S. Department of Education				<u>3,360,926</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
<i>Passed Through The City of Alliance</i>					
Community Development Block Grant	14.218	N/A		12,390	
Total U.S. Department of Housing and Urban Development				<u>12,390</u>	
Total Expenditures of Federal Awards				<u>\$5,188,706</u>	<u>116,105</u>

The accompanying notes are an integral part of this schedule.

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Alliance City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225) the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2016 to 2017 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	32,594.09
Special Education - Grants to States	84.027	83,622.14
Special Education Preschool Grants	84.173	1,217.25
Supporting Effective Instruction State Grants	84.367	31,915.42



Dave Yost • Auditor of State

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

Alliance City School District
Stark County
200 Glamorgan St.
Alliance, Ohio 44601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Alliance City School District, Stark County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Alliance City School District
Stark County
200 Glamorgan St.
Alliance, Ohio 44601

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Alliance City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Alliance City School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Alliance City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 14, 2016

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA 10.553; 10.555 and 10.559
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • 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
DECEMBER 29, 2016**