

Alliance City School District

Stark County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2012



Dave Yost • Auditor of State

Board of Education
Alliance City School District
200 Glamorgan Street
Alliance, OH 44601

We have reviewed the *Independent Auditor's Report* of the Alliance City School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 23, 2013

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Stark County, Ohio
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December 14, 2012

To the Board of Education
Alliance City School District
Stark County, Ohio
200 Glamorgan Street
Alliance, OH 44601

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alliance City School District, Stark County, Ohio (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rea & Associates, Inc.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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, 2012. 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 2012 are as follows:

- Net assets decreased \$1,592,769, which represents a 3.78% decrease from 2011.
- Capital assets decreased \$1,556,867 during fiscal year 2012.
- During the year, outstanding debt decreased from \$10,560,164 to \$10,095,741 due to principal payments made by the School District

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

Reporting the School District as a Whole

Statement of Net Assets 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 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, 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 12. 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 Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship 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 two agency funds. The School District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets* on pages 17 and 18. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 21,064,597	\$ 21,096,173
Capital Assets	44,881,623	46,438,490
<i>Total Assets</i>	65,946,220	67,534,663
Liabilities		
Other Liabilities	11,665,646	10,999,100
Long-Term Liabilities	13,689,697	14,351,917
<i>Total Liabilities</i>	25,355,343	25,351,017
Net Assets		
Invested in Capital Assets, Net of Debt	37,577,394	38,821,937
Restricted	5,190,841	5,170,141
Unrestricted (Deficit)	(2,177,358)	(1,808,432)
<i>Total Net Assets</i>	\$ 40,590,877	\$ 42,183,646

At year end, capital assets represented 68 percent of total assets. Capital assets include, land, buildings and improvements, furniture and equipment, vehicles and textbooks and library books. Capital assets, net of related debt were \$37,577,394 at June 30, 2012. 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 assets, \$5,190,841 or 13 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets was a deficit of \$2,177,358.

Total assets decreased \$1,588,443. The largest decrease was in capital assets due to current year depreciation exceeding current year additions.

Long term liabilities decreased by \$662,220 due to principal payments made by the School District.

Other liabilities increased due to fluctuations in the amount of property taxes available for advance at year end, which can vary based on when tax bills are sent causing deferred revenue to increase as compared to prior year. Accrued wages also increased due to a salary increase from a renegotiated contract.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,063,222	\$ 1,510,897
Operating Grants	5,690,565	7,555,369
Capital Grants	2,507	87,612
<i>Total Program Revenues</i>	<u>7,756,294</u>	<u>9,153,878</u>
<i>General Revenues:</i>		
Property Taxes	6,652,099	8,303,408
Grants and Entitlements Not Restricted	19,561,708	18,772,031
Other	161,278	136,751
<i>Total General Revenues</i>	<u>26,375,085</u>	<u>27,212,190</u>
<i>Total Revenues</i>	<u>34,131,379</u>	<u>36,366,068</u>
Program Expenses		
<i>Instruction:</i>		
Regular	14,848,891	12,966,270
Special	5,176,532	4,869,150
Vocational	1,297,804	1,445,340
Adult/Continuing	764,395	882,608
Student Intervention Services	89,911	179,866
Other	212,438	288,557
<i>Support Services:</i>		
Pupils	1,960,332	2,128,148
Instructional Staff	996,475	1,352,147
Board of Education	35,881	39,069
Administration	2,402,965	2,586,039
Fiscal	567,548	559,719
Business	450,321	331,748
Operation and Maintenance of Plant	3,095,093	5,335,306
Pupil Transportation	821,127	820,563
Central	165,867	105,985
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,483,545	1,430,004
Community Services	145,826	127,079
Extracurricular Activities	654,849	591,978
<i>Debt Service:</i>		
Interest and Fiscal Charges	554,348	572,356
<i>Total Expenses</i>	<u>35,724,148</u>	<u>36,611,932</u>
<i>Increase (Decrease) in Net Assets</i>	(1,592,769)	(245,864)
<i>Net Assets at Beginning of Year</i>	<u>42,183,646</u>	<u>42,429,510</u>
<i>Net Assets at End of Year</i>	<u>\$ 40,590,877</u>	<u>\$ 42,183,646</u>

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Total expenses decreased by \$887,784. The decrease of \$2,240,213 in operation and maintenance of plant is from an energy conservation project started and completed in fiscal year end 2011. Regular instruction increased as a result of a change in the way the School District recorded open enrollment and community school adjustments in fiscal year 2012. The decrease in instructional staff of \$355,672 is due to the expiration of ARRA grants in fiscal year 2012. During the year, classifications of expenses were reviewed and determined to be better allocated to other functions.

The decrease in operating grants of \$1,864,804 is due to federal ARRA grants expiring. Property taxes also showed a decrease in the amount of \$1,651,309. This decrease is due to fluctuations in the amount available for advance at year end, which can vary based on when tax bills are sent. The \$552,325 increase in charges for services is the result of a change in the way the School District records open enrollment adjustments in fiscal year 2012.

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	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 14,848,891	\$ 12,966,270	\$ 13,785,669	\$ 11,589,429
Special	5,176,532	4,869,150	3,413,008	3,016,331
Vocational	1,297,804	1,445,340	989,038	1,140,184
Adult/Continuing	764,395	882,608	74,906	(239,331)
Student Intervention Services	89,911	179,866	89,911	179,866
Other	212,438	288,557	212,438	288,557
Support Services:				
Pupils	1,960,332	2,128,148	1,222,038	1,569,736
Instructional Staff	996,475	1,352,147	557,645	56,203
Board of Education	35,881	39,069	35,881	39,069
Administration	2,402,965	2,586,039	2,111,706	2,111,696
Fiscal	567,548	559,719	535,710	559,719
Business	450,321	331,748	450,321	331,748
Operation and Maintenance of Plant	3,095,093	5,335,306	2,966,262	5,137,557
Pupil Transportation	821,127	820,563	821,127	820,563
Central	165,867	105,985	87,642	48,572
Operation of Non-Instructional Services:				
Food Service Operations	1,483,545	1,430,004	(192,999)	(162,475)
Community Services	145,826	127,079	39,853	(6,427)
Extracurricular Activities	654,849	591,978	332,625	404,701
Debt Service:				
Interest and Fiscal Charges	554,348	572,356	435,073	572,356
Total Expenses	\$ 35,724,148	\$ 36,611,932	\$ 27,967,854	\$ 27,458,054

The dependence upon general revenues for governmental activities is apparent. Nearly 74 percent of governmental activities are supported through taxes and other general revenues; such revenues are 78 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Governmental Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$34,105,991 and expenditures of \$34,851,890 for fiscal year. The net change in fund balances for the fiscal year was a decrease of \$745,899 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2012 was a decrease of \$851,647. Expenses increased by \$3,571,122. This increase is due the expiring of ARRA grants and the expenses had to be paid out general fund.

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 2012, the School District did not 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 budget basis revenue was \$319,658 higher than the final budget basis revenue. The majority of this difference was due to an over estimation of intergovernmental revenue and underestimation of property taxes.

Final appropriations of \$27,929,384 (excluding other financing uses) were \$808,768 higher than the actual expenditures of \$27,120,616 (excluding other financing uses), as cost savings were recognized for instruction and student support services throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$44,881,623 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

	Governmental Activities	
	2012	2011
Land	\$ 2,322,643	\$ 2,322,643
Buildings and Building Improvements	40,971,436	42,375,938
Furniture and Equipment	1,219,143	1,348,964
Textbooks and Library Books	93,410	120,099
Vehicles	274,991	270,846
<i>Totals</i>	\$ 44,881,623	\$ 46,438,490

The \$1,556,867 decrease in capital assets was attributable to depreciation exceeding additional purchases in the current year. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2012, the School District had \$10,095,741 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
Various Serial and Term Bonds	\$ 9,329,000	\$ 9,524,000
Various Capital Appreciation Bonds	766,741	1,036,164
<i>Total</i>	\$ 10,095,741	\$ 10,560,164

Current Issues

The current economic status in combination with losses of tangible personal property tax and tangible personal property tax 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 Alliance School District, 200 Glamorgan, Alliance, OH 44601 or heathki@acs.sparcc.org.

Alliance City School District
Stark County, Ohio
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 10,128,886
Cash and Investments Held with Trustee	300,868
Inventory Held For Resale	29,645
Materials and Supplies Inventory	86,373
Receivables:	
Accrued Interest	8,986
Accounts	61,699
Intergovernmental	1,230,930
Property Taxes	9,053,989
Deferred Charges	163,221
Nondepreciable Capital Assets	2,322,643
Depreciable Capital Assets (Net)	42,558,980
<i>Total Assets</i>	65,946,220
Liabilities	
Accounts Payable	214,329
Accrued Wages and Benefits	3,552,827
Intergovernmental Payable	842,311
Accrued Vacation Leave Payable	70,537
Matured Compensated Absences Payable	70,019
Accrued Interest Payable	35,409
Deferred Revenue	6,880,214
Long Term Liabilities:	
Due Within One Year	927,884
Due In More Than One Year	12,761,813
<i>Total Liabilities</i>	25,355,343
Net Assets	
Invested in Capital Assets, Net of Related Debt	37,577,394
Restricted For:	
Capital Outlay	727,043
Debt Service	967,010
Other Purposes	3,496,788
Unrestricted	(2,177,358)
<i>Total Net Assets</i>	\$ 40,590,877

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

Alliance City School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 14,848,891	\$ 629,517	\$ 433,705	\$ 0	\$ (13,785,669)
Special	5,176,532	125,944	1,637,580	0	(3,413,008)
Vocational	1,297,804	49,247	259,519	0	(989,038)
Adult/Continuing	764,395	571,652	117,837	0	(74,906)
Student Intervention Services	89,911	0	0	0	(89,911)
Other	212,438	0	0	0	(212,438)
Support Services:					
Pupils	1,960,332	0	738,294	0	(1,222,038)
Instructional Staff	996,475	0	438,830	0	(557,645)
Board of Education	35,881	0	0	0	(35,881)
Administration	2,402,965	145,363	145,896	0	(2,111,706)
Fiscal	567,548	26,778	5,060	0	(535,710)
Business	450,321	0	0	0	(450,321)
Operation and Maintenance of Plant	3,095,093	0	126,324	2,507	(2,966,262)
Pupil Transportation	821,127	0	0	0	(821,127)
Central	165,867	0	78,225	0	(87,642)
Operation of Non-Instructional Services:					
Food Service Operations	1,483,545	217,191	1,459,353	0	192,999
Community Services	145,826	0	105,973	0	(39,853)
Extracurricular Activities	654,849	297,530	24,694	0	(332,625)
Debt Service:					
Interest and Fiscal Charges	554,348	0	119,275	0	(435,073)
Total	\$ 35,724,148	\$ 2,063,222	\$ 5,690,565	\$ 2,507	(27,967,854)

General Revenues

Property Taxes Levied for:

General Purposes	5,751,606
Debt Service	637,079
Capital Outlay	183,803
Other Purposes	79,611
Grants and Entitlements Not Restricted to Specific Programs	19,561,708
Investment Earnings	78,956
Miscellaneous	82,322

Total General Revenues 26,375,085

Change in Net Assets (1,592,769)

Net Assets Beginning of Year 42,183,646

Net Assets End of Year \$ 40,590,877

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

Alliance City School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Investments	\$ 5,903,232	\$ 4,225,654	\$ 10,128,886
Cash and Investments Held with Trustee	300,868	0	300,868
Inventory Held For Resale	0	29,645	29,645
Materials and Supplies Inventory	60,234	26,139	86,373
Receivables:			
Accrued Interest	8,986	0	8,986
Accounts	35,790	25,909	61,699
Intergovernmental	25,962	1,204,968	1,230,930
Property Taxes	7,808,293	1,245,696	9,053,989
<i>Total Assets</i>	<u>\$ 14,143,365</u>	<u>\$ 6,758,011</u>	<u>\$ 20,901,376</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 63,947	\$ 150,382	\$ 214,329
Accrued Wages and Benefits	3,018,208	534,619	3,552,827
Intergovernmental Payable	701,911	140,400	842,311
Matured Compensated Absences Payable	70,019	0	70,019
Deferred Revenue	7,349,625	1,627,034	8,976,659
<i>Total Liabilities</i>	<u>11,203,710</u>	<u>2,452,435</u>	<u>13,656,145</u>
Fund Balances			
Nonspendable	60,234	55,784	116,018
Restricted	300,868	4,251,116	4,551,984
Committed	133,067	0	133,067
Assigned	2,180,295	0	2,180,295
Unassigned	265,191	(1,324)	263,867
<i>Total Fund Balances</i>	<u>2,939,655</u>	<u>4,305,576</u>	<u>7,245,231</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,143,365</u>	<u>\$ 6,758,011</u>	<u>\$ 20,901,376</u>

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

Alliance City School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total Governmental Fund Balances		\$ 7,245,231
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		44,881,623
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 1,623,253	
Intergovernmental	<u>473,192</u>	
Total		2,096,445
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		163,221
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(35,409)
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	(9,329,000)	
Capital Appreciation Bonds	(223,979)	
Bond Premium	(546,187)	
Refunding Loss	389,330	
Accretion of Interest - Capital Appreciation Bonds	(542,762)	
Accrued Vacation Payable	(70,537)	
Compensated Absences	<u>(3,437,099)</u>	
Total		<u>(13,760,234)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 40,590,877</u></u>

The accompanying notes are an integral part of 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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 5,583,687	\$ 871,451	\$ 6,455,138
Intergovernmental	19,722,183	5,554,308	25,276,491
Investment Income	78,956	6,235	85,191
Tuition and Fees	1,048,394	319,102	1,367,496
Extracurricular Activities	65,674	285,381	351,055
Rentals	44,651	10,112	54,763
Charges for Services	55,062	234,844	289,906
Contributions and Donations	21,941	121,688	143,629
Miscellaneous	56,645	25,677	82,322
<i>Total Revenues</i>	<u>26,677,193</u>	<u>7,428,798</u>	<u>34,105,991</u>
Expenditures			
Current:			
Instruction:			
Regular	13,049,789	458,684	13,508,473
Special	3,620,734	1,545,138	5,165,872
Vocational	1,199,095	68,049	1,267,144
Adult/Continuing	385,529	375,801	761,330
Student Intervention Services	89,911	0	89,911
Other	223,297	0	223,297
Support Services:			
Pupils	1,165,433	797,207	1,962,640
Instructional Staff	520,738	445,208	965,946
Board of Education	35,881	0	35,881
Administration	2,149,660	246,875	2,396,535
Fiscal	531,958	29,373	561,331
Business	428,193	0	428,193
Operation and Maintenance of Plant	2,785,874	278,517	3,064,391
Pupil Transportation	752,730	8,865	761,595
Central	36,900	110,762	147,662
Extracurricular Activities	369,357	285,242	654,599
Operation of Non-Instructional Services:			
Food Service Operations	0	1,472,325	1,472,325
Community Services	0	144,747	144,747
Capital Outlay	35,825	185,454	221,279
Debt Service:			
Principal Retirement	15,000	296,328	311,328
Interest and Fiscal Charges	132,936	574,475	707,411
<i>Total Expenditures</i>	<u>27,528,840</u>	<u>7,323,050</u>	<u>34,851,890</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(851,647)</u>	<u>105,748</u>	<u>(745,899)</u>
<i>Net Change in Fund Balance</i>	(851,647)	105,748	(745,899)
<i>Fund Balances Beginning of Year</i>	<u>3,791,302</u>	<u>4,199,828</u>	<u>7,991,130</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,939,655</u>	<u>\$ 4,305,576</u>	<u>\$ 7,245,231</u>

The accompanying notes are an integral part of 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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (745,899)

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

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

Capital Asset Additions	\$ 221,279	
Current Year Depreciation	(1,778,146)	(1,556,867)

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

Property Taxes	196,961	
Intergovernmental	(152,505)	44,456

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

General Obligation Bonds	195,000	
Capital Appreciation Bonds	116,328	
Accreted Interest on Capital Appreciation Bonds	288,672	600,000

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the 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	348	
Amortization of Issuance Costs	(14,328)	
Amortization of Premium on Bonds	49,342	
Amortization of Refunding Loss	(35,394)	(32)

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	183,849	
Accrued Vacation Payable	17,301	201,150

Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.

(135,577)

Change in Net Assets of Governmental Activities

\$ (1,592,769)

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

Alliance City School District
Stark County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
Revenues				
Property and Other Local Taxes	\$ 6,471,344	\$ 6,471,344	\$ 6,063,413	\$ (407,931)
Intergovernmental	18,980,369	18,980,369	19,542,186	561,817
Investment Income	55,723	55,723	71,647	15,924
Tuition and Fees	573,280	573,280	710,515	137,235
Rentals	13,190	13,190	15,916	2,726
Charges for Services	23,649	23,649	29,617	5,968
Contributions and Donations	0	0	4,016	4,016
Miscellaneous	41,529	41,529	41,432	(97)
<i>Total Revenues</i>	<u>26,159,084</u>	<u>26,159,084</u>	<u>26,478,742</u>	<u>319,658</u>
Expenditures				
Current:				
Instruction:				
Regular	13,027,320	13,027,320	12,933,437	93,883
Special	3,641,854	3,641,854	3,636,373	5,481
Vocational	1,359,724	1,359,724	1,197,613	162,111
Student Intervention Services	180,561	180,561	89,911	90,650
Other	255,052	255,052	240,203	14,849
Support Services:				
Pupils	1,315,050	1,315,050	1,199,294	115,756
Instructional Staff	526,927	526,927	523,131	3,796
Board of Education	41,204	41,204	35,424	5,780
Administration	2,173,690	2,173,690	2,040,620	133,070
Fiscal	537,959	537,959	529,376	8,583
Business	439,213	439,213	441,665	(2,452)
Operation and Maintenance of Plant	2,979,794	2,979,794	2,827,392	152,402
Pupil Transportation	891,090	891,090	827,406	63,684
Central	53,857	53,857	36,278	17,579
Extracurricular Activities	413,067	413,067	378,732	34,335
Capital Outlay	64,360	64,360	35,825	28,535
Debt Service:				
Principal Retirement	15,000	15,000	15,000	0
Interest and Fiscal Charges	13,662	13,662	132,936	(119,274)
<i>Total Expenditures</i>	<u>27,929,384</u>	<u>27,929,384</u>	<u>27,120,616</u>	<u>808,768</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,770,300)</u>	<u>(1,770,300)</u>	<u>(641,874)</u>	<u>1,128,426</u>
Other Financing Sources (Uses)				
Payment to Bond Trustee	(301,200)	(301,200)	(301,200)	0
Refund of Prior Year Expenditures	0	0	81,860	81,860
Other Financing Uses	(470,543)	(470,543)	0	470,543
<i>Total Other Financing Sources (Uses)</i>	<u>(771,743)</u>	<u>(771,743)</u>	<u>(219,340)</u>	<u>552,403</u>
<i>Net Change in Fund Balance</i>	<u>(2,542,043)</u>	<u>(2,542,043)</u>	<u>(861,214)</u>	<u>1,680,829</u>
<i>Fund Balance Beginning of Year</i>	5,559,223	5,559,223	5,559,223	0
Prior Year Encumbrances Appropriated	365,327	365,327	365,327	0
<i>Fund Balance End of Year</i>	<u>\$ 3,382,507</u>	<u>\$ 3,382,507</u>	<u>\$ 5,063,336</u>	<u>\$ 1,680,829</u>

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

Alliance City School District
Stark County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 18,864	\$ 218,941
Accounts Receivable	0	163
<i>Total Assets</i>	18,864	\$ 219,104
Liabilities		
Due to Students	\$ 0	\$ 219,104
<i>Total Liabilities</i>	0	\$ 219,104
Net Assets		
Held in Trust for Scholarships	\$ 18,864	

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

Alliance City School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Investment Earnings	\$ 73
<i>Change in Net Assets</i>	73
<i>Net Assets Beginning of Year</i>	18,791
<i>Net Assets End of Year</i>	\$ 18,864

The accompanying notes are an integral part 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, 2012

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

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

The Alliance City School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District. Average daily membership (ADM) as of October 1, 2011 was 3,116. The School District employed 248 certified employees and 227 non-certified employees.

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

Non-public Schools – Regina Coeli is operated through the Youngstown Catholic Diocese. Current state legislation provides funding for this parochial school. These monies are received and disbursed by the School District on behalf of the parochial school by the 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 14 and 15.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Alliance City School District applies generally accepted accounting principles (GAAP) that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (FASB) to its governmental funds provided they not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School District’s accounting policies are shown below.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts, for student activities.

C. Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus and are 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 revenue, 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, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

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

F. Cash and 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 2012, investments were limited to a money market, certificates of deposit and municipal bonds.

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.

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 2012 amounted to \$78,956, which includes \$36,395 assigned from other School District funds.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are 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 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 assets but are not reported in the fund financial statements.

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

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

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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 and compensated absences 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.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2012, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. 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 2012.

O. 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.

NOTE 3 – ACCOUNTABILITY

Deficit fund balances at June 30, 2012 including the following individual fund deficits:

<u>Non-Major Funds</u>	
Public Preschool	\$ 1,200
Title VI-B Preschool	124

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).

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

- 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.

Net Change in Fund Balance

	General
GAAP Basis	\$ (851,647)
Net Adjustment for Revenue Accruals	431,460
Net Adjustment for Expenditure Accruals	(48,928)
Funds Budgeted Elsewhere **	16,817
Adjustment for Encumbrances	(408,916)
 Budget Basis	 \$ (861,214)

** 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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAROhio).
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days from the purchase date in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2012, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the School District's deposits was \$9,907,806. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, \$3,751,023 of the School District's bank balance of \$9,949,598 was exposed to custodial risk as discussed above, while \$6,198,575 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 on account as of June 30, 2012, \$300,868. 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, 2012, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		6 Months or Less	24-36 Months
AIM Government & Agency Mutual Funds	\$ 3,138	\$ 3,138	\$ 0
Ohio State Taxable Municipal Bonds	455,747	0	455,747
	\$ 458,885	\$ 3,138	\$ 455,747

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
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (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. The municipal bonds are rated AA+ by Standards and Poor’s.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2012:

Investment Type	Fair Value	Percent of Total
AIM Government & Agency Mutual Funds	\$ 3,138	0.68%
Ohio State Taxable Municipal Bonds	455,747	99.32%
	\$ 458,885	100.00%

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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Stark, Columbiana and Mahoning Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$472,356 in the general fund, \$55,414 in the bond retirement debt service fund, and \$7,044 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2011, was \$952,082 in the general fund, \$113,452 in the bond retirement debt service fund, \$31,853 in the permanent improvement capital project fund and \$14,448 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second-Half Collections		2012 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 248,256,000	96%	\$ 233,885,740	97%
Public Utility Personal Property	12,116,150	4%	7,641,790	3%
 Total Assessed Value	 <u>\$ 260,372,150</u>	 <u>100%</u>	 <u>\$ 241,527,530</u>	 <u>100%</u>
 Tax rate per \$1,000 of Assessed Value	 <u>\$ 60.40</u>		 <u>\$ 60.60</u>	

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, accounts (tuition and fees), intergovernmental and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 06/30/2011	Additions	Reductions	Balance 06/30/2012
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 2,322,643	\$ 0	\$ 0	\$ 2,322,643
<i>Depreciable Capital Assets:</i>				
Building and Improvements	56,652,898	30,647	0	56,683,545
Furniture and Equipment	2,730,731	131,732	0	2,862,463
Vehicles	1,278,057	58,900	0	1,336,957
Textbooks and Library Books	1,651,978	0	0	1,651,978
<i>Total Capital Assets, Being Depreciated</i>	62,313,664	221,279	0	62,534,943
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(14,276,960)	(1,435,149)	0	(15,712,109)
Furniture and Equipment	(1,381,767)	(261,553)	0	(1,643,320)
Vehicles	(1,007,211)	(54,755)	0	(1,061,966)
Textbooks and Library Books	(1,531,879)	(26,689)	0	(1,558,568)
Total Accumulated Depreciation	(18,197,817)	(1,778,146) *	0	(19,975,963)
<i>Total Capital Assets Being Depreciated, Net</i>	44,115,847	(1,556,867)	0	42,558,980
<i>Governmental Activities Capital Assets, Net</i>	\$ 46,438,490	\$ (1,556,867)	\$ 0	\$ 44,881,623

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 8 – CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 1,515,207
Special	10,660
Vocational	30,660
Support Services:	
Instructional Staff	31,561
Administration	6,465
Business	22,679
Operation and Maintenance of Plant	65,870
Pupil Transportation	60,732
Central	18,385
Operation of Non-Instructional Services:	
Food Service Operations	14,343
Community Services	1,079
Extracurricular Activities	505
Total Depreciation Expense	\$ 1,778,146

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012 the School District contracted with The Netherlands 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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 – RISK MANAGEMENT (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 15). 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 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$546,235, \$470,815 and \$554,623, respectively; 52 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,872,099, \$2,078,356 and \$2,028,150, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$63,328 made by the School District and \$45,234 made by the plan members.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$23,656, \$57,008, and \$19,963, respectively; 52 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$32,258, \$30,298, and \$32,982, respectively; 52 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$144,008, \$159,874, and \$156,012, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and 260-day employees are entitled to vacation ranging from 5 to 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 .6% of final contract salary times 65 days times (Accumulated sick days (maximum 120) divided by 120).

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2012 were as follows:

	Outstanding 06/30/2011	Additions	Deductions	Outstanding 6/30/2012	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	41,293	0	(3,156)	38,137	0
2000 Classroom Facilities Bonds -					
\$9,564,991 5.00-5.80%					
Capital Appreciation Bonds	116,328	0	(116,328)	0	0
Accretion on Capital Appreciation Bonds	270,713	17,959	(288,672)	0	0
2001 School Improvement Bonds -					
\$1,399,999 3.50-5.30%					
Serial and Term Bonds	70,000	0	(70,000)	0	0
Capital Appreciation Bonds	39,999	0	0	39,999	14,184
Accretion on Capital Appreciation Bonds	122,441	24,289	0	146,730	56,433
2007 Classroom Facilities and Site Acquisition					
Refunding Bonds -					
\$7,653,980 - 4.00-4.55% Serial and					
Term Bonds	6,955,000	0	(110,000)	6,845,000	540,000
Capital Appreciation Bonds	183,980	0	0	183,980	0
Accretion on Capital Appreciation Bonds	302,703	93,329	0	396,032	0
Unamortized Premium	554,236	0	(46,186)	508,050	0
Refunding Loss	(424,724)	0	35,394	(389,330)	0
2009 Qualified School Construction Bonds					
\$255,000 1.79%	240,000	0	(15,000)	225,000	15,000
Compensated Absences	3,620,948	179,198	(363,047)	3,437,099	302,267
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 14,351,917</u>	<u>\$ 314,775</u>	<u>\$ (976,995)</u>	<u>\$ 13,689,697</u>	<u>\$ 927,884</u>

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

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.

The issuance costs of \$13,200 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 was \$943.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

2001 School Improvement Bonds

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

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

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$ 80,000
2016	85,000

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

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

The capital appreciation bonds mature December 1, 2012 through December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$225,000. A capital appreciation bond matures December 1, 2012. The total payment due is \$75,000. The amount due in one year reflects \$70,617. The difference is due to not all interest being accreted at June 30, 2012. For fiscal year 2012, the accretion amount was \$24,289.

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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

At the date of refunding, \$8,251,300 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$6,865,000 of the 2000 Series Bonds and \$820,000 of the 2001 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the 2001 financial statements. The advance refunding reduced cash flows required for debt service by \$308,338 over the next thirteen years and resulted in an economic gain of \$233,929. As of June 30, 2012 the entire amount of defeased bonds were outstanding.

The bonds were issued with a premium of \$738,980, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2012 was \$46,186. The issuance costs of \$141,660 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 was \$8,854. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$566,300. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2012 was \$35,394.

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

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

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

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

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

The capital appreciation bonds will mature December 1, 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 2012 accretion amount is \$93,329.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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 2012 was \$3,156. The issuance costs of \$64,436 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 was \$4,531.

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.

Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 555,000	\$ 403,850	\$ 14,184	\$ 60,816	\$ 569,184	\$ 464,666
2014	590,000	382,281	13,324	61,676	603,324	443,957
2015	630,000	358,211	12,491	62,509	642,491	420,720
2016	745,000	330,042	0	0	745,000	330,042
2017	780,000	299,875	0	0	780,000	299,875
2018-2022	2,735,000	1,255,566	183,980	1,446,020	2,918,980	2,701,586
2023-2025	<u>3,294,000</u>	<u>344,237</u>	<u>0</u>	<u>0</u>	<u>3,294,000</u>	<u>344,237</u>
Total	<u>\$ 9,329,000</u>	<u>\$ 3,374,062</u>	<u>\$ 223,979</u>	<u>\$ 1,631,021</u>	<u>\$ 9,552,979</u>	<u>\$ 5,005,083</u>

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being place on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Services Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District's continued participation and no equity interest exists. During the year ended June 30, 2012, the School District paid \$31,016 to SPARCC.

NOTE 15 – PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

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

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 16 – CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 16 – CONTINGENCIES (Continued)

B. 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. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. 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.

D. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$272,756 for general fund and \$356,822 in nonmajor governmental funds.

NOTE 17 – SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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.

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.

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2011	\$ 0
Current Year Set-Aside Requirement	478,522
Current Year Offsets	(467,019)
Prior Year Offsets from Bond Proceeds	<u>(11,503)</u>
Totals	<u>\$ 0</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$ 0</u>
Set-Aside Restricted Balance as of June 30, 2012	<u>\$ 0</u>

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 18 – 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 funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Nonspendable for:			
Inventory	\$ 60,234	\$ 55,784	\$ 116,018
Restricted for:			
Sinking fund	300,868	0	300,868
Debt Service	0	535,622	535,622
Capital Outlay	0	672,260	672,260
Special Education	0	4,154	4,154
Facility maintenance	0	1,729,979	1,729,979
Food Service	0	670,156	670,156
Other Purposes	0	638,945	638,945
Total Restricted	300,868	4,251,116	4,551,984
Committed for:			
E-Rate and Career Tech	133,067	0	133,067
Assigned for:			
Subsequent Year Appropriations	1,907,539	0	1,907,539
Encumbrances:			
Instruction	110,444	0	110,444
Support Services	162,312	0	162,312
Total Assigned	2,180,295	0	2,180,295
Unassigned	265,191	(1,324)	263,867
Total Fund Balance	\$ 2,939,655	\$ 4,305,576	\$ 7,245,231

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December 14, 2012

To the Board of Education
Alliance City School District
Stark County, Ohio
200 Glamorgan Street
Alliance, OH 44601

**Independent Auditor's Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alliance City School District, Stark County, Ohio, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Alliance City School District, Stark County, Ohio
Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards
Page 2

Compliance and Other Matters

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

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

Hea & Associates, Inc.

December 14, 2012

To the Board of Education
Alliance City School District
Stark County, Ohio
200 Glamorgan Street
Alliance, OH 44601

**Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material Effect
On Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of Alliance City School District, Stark County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Rea & Associates, Inc.

Alliance City School District
Stark County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor Program Title	Grant Year/ Direct Award No.	CFDA Number	Federal Receipts	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I Cluster:</i>				
Title I - Grants to Local Educational Agencies	2011	84.010	\$ 31,670	\$ 216,721
Title I - Grants to Local Educational Agencies	2012	84.010	1,333,329	1,262,714
Title I - School Improvement Grant	2011	84.010	(23,705)	449
Title I - School Improvement Grant	2012	84.010	139,851	123,507
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	7,635	16,112
<i>Total Title I Cluster</i>			<u>1,488,780</u>	<u>1,619,503</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	2011	84.027	3,975	97,844
Special Education - Grants to States	2012	84.027	721,032	671,019
ARRA - Special Education - Grants to States	2011	84.391	25,483	49,716
Total Special Education - Grants to States			<u>750,490</u>	<u>818,579</u>
Special Education - Preschool Grants	2011	84.173	(119)	2,302
Special Education - Preschool Grants	2012	84.173	10,238	9,444
ARRA - Special Education - Preschool Grants	2011	84.392	0	30
Total Special Education - Preschool Grants			<u>10,119</u>	<u>11,776</u>
<i>Total Special Education Cluster</i>			<u>760,609</u>	<u>830,355</u>
Vocational Education - Basic Grants to State	2011	84.048	7,260	25,778
Vocational Education - Basic Grants to State	2012	84.048	148,456	143,378
Total Vocational Education - Basic Grants to State			<u>155,716</u>	<u>169,156</u>
Title IV-A - Safe and Drug-Free Schools	2012	84.186	9,581	9,581
Title II-D - Education Technology	2012	84.318	3,545	3,157
Title II-A - Improving Teacher Quality	2011	84.367	12,738	36,089
Title II-A - Improving Teacher Quality	2012	84.367	218,445	209,586
Total Title II-A - Improving Teacher Quality			<u>231,183</u>	<u>245,675</u>
ARRA - Education for Homeless Families and Youth	2011	84.387	0	938
ARRA - Race to the Top Incentive Grants	2012	84.395	1,400	1,400
Education Jobs Fund	2011	84.410	74,199	164,498
Education Jobs Fund	2012	84.410	22,265	21,979
Total Education Jobs Fund			<u>96,464</u>	<u>186,477</u>
<i>Direct Awards:</i>				
<i>Student Financial Assistance Cluster:</i>				
Federal Pell Grant Program	N/A	84.063	410,038	410,038
Federal Direct Student Loans	N/A	84.268	503,965	503,965
<i>Total Student Financial Assistance Cluster</i>			<u>914,003</u>	<u>914,003</u>
Consolidated Admin	N/A	84.000	56	56
Total U.S. Department of Education			<u>\$ 3,661,337</u>	<u>\$ 3,980,301</u>

(Continued)

See accompanying notes to this schedule

Alliance City School District
Stark County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor Program Title	Grant Year/ Direct Award No.	CFDA Number	Federal Receipts	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2012	10.555	\$ 95,975	\$ 95,975
<i>Cash Assistance:</i>				
School Breakfast Program	2012	10.553	290,017	290,017
National School Lunch Program	2012	10.555	940,066	940,066
Summer Food Service Program for Children	2012	10.559	123,241	123,241
<i>Cash Assistance Subtotal</i>			1,353,324	1,353,324
<i>Total Child Nutrition Cluster</i>			1,449,299	1,449,299
Total U.S. Department of Agriculture			1,449,299	1,449,299
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
<i>Passed Through the City of Alliance:</i>				
Community Development Block Grant	2012	14.218	22,726	22,726
Total U.S. Department of Housing & Urban Development			22,726	22,726
U.S. DEPARTMENT OF LABOR				
<i>WIA Cluster:</i>				
<i>Passed Through the Mahoning and Columbiana Training Association:</i>				
WIA Dislocated Workers	2012	17.260	268	268
<i>Passed Through Stark County Department of Job and Family Services:</i>				
WIA Dislocated Workers	2012	17.260	4,755	4,755
<i>Total WIA Cluster</i>			5,023	5,023
Total U.S. Department of Labor			5,023	5,023
TOTAL FEDERAL ASSISTANCE			\$ 5,138,385	\$ 5,457,349

See accompanying notes to this schedule

Alliance City School District
Stark County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B – Commingled Funds

Federal money is commingled with state subsidy reimbursements and other revenue sources for Child Nutrition Cluster, Federal Pell, Community Development Block Grant, and WIA Dislocated Workers. It is assumed federal moneys are expended first.

Note C – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note D – 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. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from program year 2011 to 2012:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Amount</u>
84.010	Title I – Grants to Local Educational Agencies	\$11,890
84.010	Title I – School Improvement	23,705
84.367	Title II-A – Improving Teacher Quality	1,262
84.173	Special Education - Preschool Grants	119

Alliance City School District
Stark County, Ohio
Schedule of Findings
OMB Circular A-133, Section .505
June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Nutrition Cluster Student Financial Aid Cluster	CFDA #10.553, 10.555, 10.559 #84.063, 84.268
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

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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
FEBRUARY 5, 2013**