

Audit Report

July 1, 2001 through June 30, 2002



ALLIANCE CITY SCHOOL DISTRICT STARK COUNTY



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Alliance City School District, Stark County, prepared by Moore Stephens Apple, for the audit period July 1, 2001 through June 30, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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ALLIANCE CITY SCHOOL DISTRICT - STARK COUNTY
Audit Report – July 1, 2001 through June 30, 2002

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Report of Independent Auditors

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

We have audited the accompanying general purpose financial statements of the Alliance City School District as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of the Alliance City School District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Alliance City School District as of June 30, 2002 and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds 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 9, 2002 on our consideration of the Alliance City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Alliance City School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Moore Stephens Apple

Akron, Ohio
December 9, 2002

**Alliance City School District
Combined Balance Sheet – All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations				
ASSETS AND OTHER DEBITS:												
Equity in Pooled Cash and Cash Equivalents	\$188,244	\$1,619,421	\$664,214	\$22,176,533	\$772,818	\$122,047	\$0	\$0	\$25,543,277			
Receivables												
Taxes	6,139,947	0	1,096,923	294,193	0	0	0	0	7,531,063			
Accounts	17,425	14,711	0	0	14,322	1,394	0	0	47,852			
Interest	153	0	0	0	0	0	0	0	153			
Intergovernmental	4,775	0	0	87,502	176,514	0	0	0	268,791			
Interfund	22,066	0	0	0	0	0	0	0	22,066			
Materials and Supplies												
Inventory	56,045	0	0	0	29,989	0	0	0	86,034			
Prepaid Items	5,349	0	0	0	0	0	0	0	5,349			
Restricted Assets:												
Equity in Pooled Cash and Cash Equivalents	633,236	0	0	0	0	0	0	0	633,236			
Fixed Assets (Net where applicable, of Accumulated Depreciation)	0	0	0	0	28,320	0	44,264,060	0	44,292,380			
Other Debits:												
Amount available in debt service Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	664,214	664,214			
Total Assets and Other Debits	\$7,067,240	\$1,634,132	\$1,761,137	\$22,558,228	\$1,021,963	\$123,441	\$44,264,060	\$14,617,100	\$93,047,301			

(Continued)

The accompanying notes are an integral part of these statements.

**Alliance City School District
Combined Balance Sheet – All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General	Fixed Assets	Long-Term Obligations	General		
										Fixed Assets	Long-Term Obligations	
LIABILITIES, FUND EQUITY AND OTHER CREDIT:												
Liabilities:												
Accounts Payable	\$51,311	\$14,933	\$0	\$2,268,682	\$8,347	\$160	\$0	\$0	\$0	\$0	\$0	\$2,343,433
Accrued Wages and Benefits	2,759,551	403,891	0	0	95,175	0	0	0	0	0	0	3,258,617
Compensated Absences Payable	201,706	0	0	0	50,459	0	0	0	0	2,647,748	0	2,899,913
Intergovernmental Payable	417,099	64,229	0	677	32,700	0	0	0	0	174,362	0	689,067
Interfund Payable	0	22,066	0	0	0	0	0	0	0	0	0	22,066
Due to Others	0	0	0	0	0	102,488	0	0	0	0	0	102,488
Deferred Revenue	6,000,777	0	1,062,683	283,713	0	0	0	0	0	0	0	7,347,173
Bonds Payable	0	0	0	0	0	0	0	0	0	11,794,990	0	11,794,990
Total Liabilities	9,430,444	505,119	1,062,683	2,553,072	186,681	102,648	0	0	0	14,617,100	0	28,457,747
Fund Equity and Other Credits:												
Investment in General Fixed Assets	0	0	0	0	0	0	0	44,264,060	0	0	0	44,264,060
Contributed Capital	0	0	0	0	175,741	0	0	0	0	0	0	175,741
Retained Earnings - Unreserved	0	0	0	0	659,541	0	0	0	0	0	0	659,541
Fund Balances												
Reserved for Property Taxes	139,170	0	34,240	10,480	0	0	0	0	0	0	0	183,890
Reserved For Inventory	56,045	0	0	0	0	0	0	0	0	0	0	56,045
Reserved for Encumbrances	49,227	27,709	0	16,876,797	0	0	0	0	0	0	0	16,953,733
Reserved for Budget Stabilization	409,012	0	0	0	0	0	0	0	0	0	0	409,012
Reserved for Textbooks and Supplies	221,270	0	0	0	0	0	0	0	0	0	0	221,270
Reserved for Capital Improvements	2,954	0	0	0	0	0	0	0	0	0	0	2,954
Reserved for Prepaid Items	5,349	0	0	0	0	0	0	0	0	0	0	5,349
Unreserved - Undesignated	(3,246,231)	1,101,304	664,214	3,117,879	0	20,793	0	0	0	0	0	1,657,959
Total Fund Equity and Other Credits	(2,363,204)	1,129,013	698,454	20,005,156	835,282	20,793	0	44,264,060	0	0	0	64,589,554
Total Liabilities, Fund Equity and Other Credits	\$7,067,240	\$1,634,132	\$1,761,137	\$22,558,228	\$1,021,963	\$123,441	\$14,617,100	\$44,264,060	\$0	\$14,617,100	\$93,047,301	\$93,047,301

The accompanying notes are an integral part of these statements.

**Alliance City School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
REVENUE:					
Taxes	\$6,126,632	\$109,160	\$1,086,214	\$285,970	\$7,607,976
Tuition and Fees	119,644	0	0	0	119,644
Intergovernmental	14,171,592	3,458,348	145,490	24,698,124	42,473,554
Interest	179,747	191,408	0	392,246	763,401
Extracurricular Activities	0	317,140	0	0	317,140
Classroom Materials & Fees	31,549	0	0	0	31,549
Other	87,165	383,157	0	4,801	475,123
Total Revenues	<u>20,716,329</u>	<u>4,459,213</u>	<u>1,231,704</u>	<u>25,381,141</u>	<u>51,788,387</u>
EXPENDITURES:					
Current					
Instruction					
Regular	10,651,424	1,827,226	0	173,066	12,651,716
Special	2,449,188	762,750	0	0	3,211,938
Vocational	1,310,028	79,954	0	0	1,389,982
Other Instruction	277,510	0	0	0	277,510
Support Services					
Pupil	893,960	413,178	0	0	1,307,138
Instructional Staff	617,397	384,747	0	0	1,002,144
Board of Education	23,679	0	0	0	23,679
Administration	1,798,161	558,861	1,354	2,187	2,360,563
Fiscal	204,035	0	0	0	204,035
Business	62,404	33,723	0	0	96,127
Operation and Maint- enance of Plant	2,295,037	3,819	0	647,228	2,946,084
Pupil Transportation	475,716	130	0	0	475,846
Central	33,119	48,933	0	0	82,052
Operation of Non- Instructional Services	0	162,137	0	0	162,137
Extracurricular Activities	335,660	218,748	0	0	554,408
Debt Service					
Principal and Interest	0	0	1,116,408	0	1,116,408
Capital Outlay	7,480	0	0	22,724,860	22,732,340
Total Expenditures	<u>21,434,798</u>	<u>4,494,206</u>	<u>1,117,762</u>	<u>23,547,341</u>	<u>50,594,107</u>
Revenues Over (Under) Expenditures	<u>(718,469)</u>	<u>(34,993)</u>	<u>113,942</u>	<u>1,833,800</u>	<u>1,194,280</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Alliance City School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Total Revenues Over (Under) Expenditures	(718,469)	(34,993)	113,942	1,833,800	1,194,280
Fund Balances at Beginning of Year	(1,628,377)	1,164,006	584,512	18,171,356	18,291,497
Increase in Reserve for Inventory	(16,358)	0	0	0	(16,358)
Fund Balances at End of Year	<u>\$(2,363,204)</u>	<u>\$1,129,013</u>	<u>\$698,454</u>	<u>\$20,005,156</u>	<u>\$19,469,419</u>

The accompanying notes are an integral part of these statements.

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Alliance City School District
Combined Statement of Revenues, Expenditures, and Changes
In Fund Balances – Budget Basis and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 6,425,173	\$ 6,169,942	\$ (255,231)
Tuition and Fees	80,000	113,870	33,870
Intergovernmental	14,120,828	14,166,818	45,990
Interest	175,000	179,594	4,594
Extracurricular Activities	-	-	-
Classroom Materials & Fees	31,000	31,011	11
Other	45,000	76,052	31,052
Total Revenues	<u>20,877,001</u>	<u>20,737,287</u>	<u>(139,714)</u>
EXPENDITURES:			
Current			
Instruction			
Regular	10,902,950	10,714,742	188,208
Special	2,385,368	2,385,366	2
Vocational	1,269,653	1,262,483	7,170
Adult Continuing	-	-	-
Other	284,115	284,115	-
Support Services			
Pupil	837,040	837,040	-
Instructional Staff	592,725	590,779	1,946
Board of Education	23,544	23,544	-
Administration	1,782,579	1,782,579	-
Fiscal	202,271	202,271	-
Business	61,874	61,874	-
Operation and Maintenance of Plant	2,409,115	2,406,161	2,954
Pupil Transportation	506,559	470,687	35,872
Central	31,894	31,894	-
Food Service Operations	-	-	-
Extracurricular Activities	315,513	315,513	-
Building Acquisition and Construction	7,481	7,481	-
Debt Service			
Principal Retirement and Interest	-	-	-
Total Expenditures	<u>21,612,681</u>	<u>21,376,529</u>	<u>236,152</u>
Revenues Over (Under) Expenditures	<u>(735,680)</u>	<u>(639,242)</u>	<u>96,438</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Notes	-	-	-
Proceeds from Sale of Assets	-	-	-
Advances - In	-	71,802	71,802
Advances - Out	(54,483)	(54,483)	-
Refund of Prior Year Expenditures	-	-	-
Refund of Prior Year Receipt	-	-	-
Operating Transfer - In	-	-	-
Operating Transfers - Out	(548,658)	-	548,658
Pass Throughs	(10,572)	-	10,572
Total Other Financing Sources (Uses)	<u>(613,713)</u>	<u>17,319</u>	<u>631,032</u>
Total Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,349,393)	(621,923)	727,470
Fund Balances at Beginning of Year	1,211,761	1,211,761	-
Prior Year Encumbrances	137,632	137,632	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 727,470</u>	<u>\$ 727,470</u>

The accompanying notes are an integral part of these statements.

Special Revenue Fund			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 127,008	\$ 109,160	\$ (17,848)	\$ 1,125,051	\$ 1,092,304	\$ (32,747)
-	-	-	-	-	-
3,605,619	3,643,227	37,608	145,034	145,489	455
3,300	6,530	3,230	-	-	-
312,211	316,409	4,198	-	-	-
-	-	-	-	-	-
344,831	369,177	24,346	-	-	-
<u>4,392,969</u>	<u>4,444,503</u>	<u>51,534</u>	<u>1,270,085</u>	<u>1,237,793</u>	<u>(32,292)</u>
2,186,540	1,705,743	480,797	-	-	-
870,400	747,140	123,260	-	-	-
82,779	80,859	1,920	-	-	-
-	-	-	-	-	-
16,954	14,935	2,019	-	-	-
618,214	404,693	213,521	-	-	-
465,526	392,356	73,170	-	-	-
-	-	-	-	-	-
744,073	571,614	172,459	697,860	1,354	696,506
-	-	-	-	-	-
46,752	33,723	13,029	-	-	-
293,804	3,819	289,985	-	-	-
500	-	500	-	-	-
84,133	48,891	35,242	-	-	-
145,895	132,073	13,822	-	-	-
248,674	215,781	32,893	-	-	-
-	-	-	-	-	-
-	-	-	1,116,405	1,116,405	-
<u>5,804,244</u>	<u>4,351,627</u>	<u>1,452,617</u>	<u>1,814,265</u>	<u>1,117,759</u>	<u>696,506</u>
(1,411,275)	92,876	1,504,151	(544,180)	120,034	664,214
-	-	-	-	-	-
-	-	-	-	-	-
-	54,483	54,483	-	-	-
(10,372)	(71,802)	(61,430)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(81,020)	-	81,020	-	-	-
<u>(91,392)</u>	<u>(17,319)</u>	<u>74,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,502,667)	75,557	1,578,224	(544,180)	120,034	664,214
1,424,366	1,424,366	-	544,180	544,180	-
78,301	78,301	-	-	-	-
<u>\$ -</u>	<u>\$ 1,578,224</u>	<u>\$ 1,578,224</u>	<u>\$ -</u>	<u>\$ 664,214</u>	<u>\$ 664,214</u>

Alliance City School District
Combined Statement of Revenues, Expenditures, and Changes
In Fund Balances – Budget Basis and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 296,601	\$ 293,730	\$ (2,871)
Tuition and Fees	-	-	-
Intergovernmental	24,516,407	24,610,622	94,215
Interest	436,275	392,246	(44,029)
Extracurricular Activities	-	-	-
Classroom Materials & Fees	-	-	-
Other	2,500	4,801	2,301
Total Revenues	25,251,783	25,301,399	49,616
EXPENDITURES:			
Current			
Instruction			
Regular	195,806	180,174	15,632
Special	-	-	-
Vocational	-	-	-
Adult Continuing	-	-	-
Other	-	-	-
Support Services			
Pupil	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
Administration	2,040	2,040	-
Fiscal	-	-	-
Business	-	-	-
Operation and Maintenance of Plant	918,753	870,536	48,217
Pupil Transportation Central	-	-	-
Food Service Operations	-	-	-
Extracurricular Activities	-	-	-
Building Acquisition and Construction	43,149,414	40,231,821	2,917,593
Debt Service	-	-	-
Principal Retirement and Interest	-	-	-
Total Expenditures	44,266,013	41,284,571	2,981,442
Revenues Over (Under) Expenditures	(19,014,230)	(15,983,172)	3,031,058
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Notes	-	-	-
Proceeds from Sale of Assets	-	-	-
Advances - In	-	-	-
Advances - Out	-	-	-
Refund of Prior Year Expenditures	-	-	-
Refund of Prior Year Receipt	-	-	-
Operating Transfer - In	-	-	-
Operating Transfers - Out	-	-	-
Pass Through	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Total Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(19,014,230)	(15,983,172)	3,031,058
Fund Balances at Beginning of Year	6,933,930	6,933,930	-
Prior Year Encumbrances	12,080,300	12,080,300	-
Fund Balance at End of Year	\$ -	\$ 3,031,058	\$ 3,031,058

The accompanying notes are an integral part of these statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 7,973,833	\$ 7,665,136	\$ (308,697)
80,000	113,870	33,870
42,387,888	42,566,156	178,268
614,575	578,370	(36,205)
312,211	316,409	4,198
31,000	31,011	11
392,331	450,030	57,699
<u>51,791,838</u>	<u>51,720,982</u>	<u>(70,856)</u>
13,285,296	12,600,659	684,637
3,255,768	3,132,506	123,262
1,352,432	1,343,342	9,090
-	-	-
301,069	299,050	2,019
1,455,254	1,241,733	213,521
1,058,251	983,135	75,116
23,544	23,544	-
3,226,552	2,357,587	868,965
202,271	202,271	-
108,626	95,597	13,029
3,621,672	3,280,516	341,156
507,059	470,687	36,372
116,027	80,785	35,242
145,895	132,073	13,822
564,187	531,294	32,893
43,156,895	40,239,302	2,917,593
-	-	-
1,116,405	1,116,405	-
<u>73,497,203</u>	<u>68,130,486</u>	<u>5,366,717</u>
<u>(21,705,365)</u>	<u>(16,409,504)</u>	<u>5,295,861</u>
-	-	-
-	-	-
-	126,285	126,285
(64,855)	(126,285)	(61,430)
-	-	-
-	-	-
-	-	-
(548,658)	-	548,658
(91,592)	-	91,592
<u>(705,105)</u>	<u>-</u>	<u>705,105</u>
(22,410,470)	(16,409,504)	6,000,966
10,114,237	10,114,237	-
12,296,233	12,296,233	-
<u>\$ -</u>	<u>\$ 6,000,966</u>	<u>\$ 6,000,966</u>

Alliance City School District
Combined Statement of Revenues, Expenditures, and Changes
In Retained Earnings – All Proprietary Fund Types and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Non-expendable Trust</u>	<u>Totals (Memorandum Only)</u>
OPERATING REVENUES:			
Sales	\$387,912	\$0	\$387,912
Tuition	<u>259,172</u>	<u>0</u>	<u>259,172</u>
Total Operating Revenues	<u>647,084</u>	<u>0</u>	<u>647,084</u>
OPERATING EXPENSES:			
Salaries and Wages	808,544	0	808,544
Fringe Benefits	239,081	0	239,081
Contract Services	111,194	0	111,194
Cost of Sales	695,975	0	695,975
Other	41,135	596	41,731
Depreciation	<u>16,133</u>	<u>0</u>	<u>16,133</u>
Total Operating Expenses	<u>1,912,062</u>	<u>596</u>	<u>1,912,658</u>
Operating Loss	<u>(1,264,978)</u>	<u>(596)</u>	<u>(1,265,574)</u>
NON-OPERATING REVENUES:			
Donated Commodities	117,226	0	117,226
Operating Grants	1,114,096	0	1,114,096
Interest	15,521	513	16,034
Other	<u>85,527</u>	<u>821</u>	<u>86,348</u>
Total Non-Operating Revenues	<u>1,332,370</u>	<u>1,334</u>	<u>1,333,704</u>
Net Income	67,392	738	68,130
Retained Earnings at Beginning of Year	<u>592,149</u>	<u>20,055</u>	<u>612,204</u>
Retained Earnings at End of Year	<u>\$659,541</u>	<u>\$20,793</u>	<u>\$680,334</u>

The accompanying notes are an integral part of these statements.

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Alliance City School District
Combined Statement of Revenue, Expenditures, and Changes
In Fund Equity – Budget Basis and Actual
All Proprietary Fund Types and Non-Expendable Trust Fund
For the Fiscal Year Ended June 30, 2002

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Tuition and Fees	\$ 263,000	\$ 259,173	\$ (3,827)
Sales	-	-	-
Operating Grants	-	-	-
Interest	18,000	15,521	(2,479)
Intergovernmental	914,200	1,018,825	104,625
Food Services	324,000	338,104	14,104
Classroom Materials and Fees	43,225	55,787	12,562
Other	98,500	90,119	(8,381)
Total Revenue	<u>1,660,925</u>	<u>1,777,529</u>	<u>116,604</u>
EXPENSES:			
Salaries and Wages	806,416	810,327	(3,911)
Fringe Benefits	264,314	239,081	25,233
Contract Services	110,886	91,749	19,137
Supplies	932,670	593,908	338,762
Other	2,094	1,654	440
Capital Outlay	274,279	26,033	248,246
Total Expenses	<u>2,390,659</u>	<u>1,762,752</u>	<u>627,907</u>
Revenues over (Under) Expenses	(729,734)	14,777	744,511
Transfers - In	-	-	-
Transfers - Out	-	-	-
Advances - In	-	-	-
Advances - Out	-	-	-
Revenues Over (Under) Expenses, Advances and Operating Transfers	(729,734)	14,777	744,511
Fund Balance at Beginning of Year	708,014	708,014	-
Prior Year Appropriated	21,720	21,720	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 744,511</u>	<u>\$ 744,511</u>

The accompanying notes are an integral part of these statements.

Non-Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
400	513	113
-	-	-
-	-	-
-	-	-
860	860	-
<u>1,260</u>	<u>1,373</u>	<u>113</u>
-	-	-
-	-	-
-	-	-
-	-	-
21,314	1,636	19,678
-	-	-
<u>21,314</u>	<u>1,636</u>	<u>19,678</u>
(20,054)	(263)	19,791
-	-	-
-	-	-
-	-	-
-	-	-
<u>(20,054)</u>	<u>(263)</u>	<u>19,791</u>
20,054	20,054	-
-	-	-
<u>\$ -</u>	<u>\$ 19,791</u>	<u>\$ 19,791</u>

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 263,000	\$ 259,173	\$ (3,827)
-	-	-
-	-	-
18,400	16,034	(2,366)
914,200	1,018,825	104,625
324,000	338,104	14,104
43,225	55,787	12,562
99,360	90,979	(8,381)
<u>1,662,185</u>	<u>1,778,902</u>	<u>116,717</u>
806,416	810,327	(3,911)
264,314	239,081	25,233
110,886	91,749	19,137
932,670	593,908	338,762
23,408	3,290	20,118
274,279	26,033	248,246
<u>2,411,973</u>	<u>1,764,388</u>	<u>647,585</u>
(749,788)	14,514	764,302
-	-	-
-	-	-
-	-	-
-	-	-
<u>(749,788)</u>	<u>14,514</u>	<u>764,302</u>
728,068	728,068	-
21,720	21,720	-
<u>\$ -</u>	<u>\$ 764,302</u>	<u>\$ 764,302</u>

**Alliance City School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Non-Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Enterprise Fund	Non-Expendable Trust Fund	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating Loss	\$ (1,264,978)	\$ (596)	\$ (1,265,574)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation	16,133	-	16,133
Donated commodities in cost of sales	117,226	-	117,226
Change in assets and liabilities that increase (decrease) cash flow from operations			
Accounts receivable	(12,503)	106	(12,397)
Intergovernmental receivable	(72,881)	-	(72,881)
Materials and supplies inventory	15,673		15,673
Accounts payable	1,016	(927)	89
Accrued wages and benefits	6,635	-	6,635
Intergovernmental payable	30,643	-	30,643
Interfund payable	-	-	-
Compensated Absences	1,760	-	1,760
	<u>(1,161,276)</u>	<u>(1,417)</u>	<u>(1,162,693)</u>
Net cash used in operating activities			
Cash flows from capital and financing activities:			
Operating grants received	1,114,096	-	1,114,096
Other	101,048	1,153	102,201
Purchase of fixed assets	(10,788)	-	(10,788)
	<u>1,204,356</u>	<u>1,153</u>	<u>1,205,509</u>
Net cash provided by capital and financing activities			
Net increase in cash and cash equivalents	43,080	(264)	42,816
Cash and cash equivalents - beginning of year	<u>729,738</u>	<u>20,055</u>	<u>749,793</u>
Cash and cash equivalents - end of year	<u>\$ 772,818</u>	<u>\$ 19,791</u>	<u>\$ 792,609</u>
Noncash capital, investing and related financing activities:			
Donated commodities received	\$ 117,226	\$ -	\$ 117,226

The accompanying notes are an integral part of these statements.

General Purpose Financial Statements

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP basis) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

1. *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 School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The 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, 2001, was 3,487. The School District employed 305 certified employees and 165 non-certified employees.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose 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 School District, this includes general operations, food service, and student related activities 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 provide 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 does not have any component units.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

The following activity is included within the reporting entity.

Regina Coeli - The School is operated through the Youngstown Catholic Diocese. Current state legislation provides funding for this parochial school. These monies are received and disbursed by the School District on behalf of the parochial school by the Fiscal Officer of the School District, as directed by the parochial schools. The activity of these state monies by the School District is reflected as a special revenue fund for financial reporting purposes.

The School District is associated with the Stark County Schools Council of Governments risk sharing pool which is described below:

Public Entity Risk Pool - The Stark County Schools Council of Governments Health Benefit Plan is a risk sharing pool created pursuant to state statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by the grouping with other members of the Health Benefits Program. The experiences of all participating districts are calculated as one and a common premium rate is applied to all member districts. New members must maintain a reserve amount equal to 30 percent of claims paid for the preceding twelve month period.

2. *Basis Of Presentation - Fund Accounting*

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - This fund is the operating fund of the School District and is used to account 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.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include nonexpendable trust and agency funds. Nonexpendable trust and agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

3. *Measurement Focus and Basis of Accounting*

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when a potential revenue does not meet with the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 and delinquent property taxes that are intended to finance fiscal year 2003 operations have been recorded as deferred revenue as more fully described in Note C.

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 fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end. 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 donated commodities nonoperating revenue.

4. *Budgetary Data*

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modification at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Fiscal Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Certificate is amended to include any unencumbered cash balances from the preceding year.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2002.

Appropriations:

By October 1, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the School District. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

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 basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget Basis and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget Basis and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are reported when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure for proprietary fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ (718,469)	\$ (34,993)	\$ 113,942	\$ 1,833,800
Net Adjustment for Revenue Accruals	20,958	(14,710)	6,089	(79,742)
Net Adjustment for Expenditure Accruals	58,269	142,579	3	(17,737,230)
Other Sources/Uses - Net	17,319	(17,319)	0	0
Budget Basis	\$ (621,923)	\$ 75,557	\$ 120,034	\$(15,983,172)

**Net Income (Loss)/Revenues Over (Under)
Expenses, Advances and Operating Transfers
Proprietary Fund Types**

	Enterprise	Non- expendable Trust Fund
GAAP Basis	\$ 67,392	\$ 738
Net Adjustment for Revenue Accruals	(84,699)	39
Commodities Received	(117,226)	0
Net Adjustment for Expense Accruals	15,373	(1,040)
Other Sources/Uses - Net	0	0
Commodities Used	117,804	0
Depreciation	16,133	0
Budget Basis	\$ 14,777	\$ (263)

5. *Pooled Cash, Cash Equivalents and Investments*

To improve cash management, all cash received by the School District is pooled in various accounts. Monies for all funds, including proprietary funds, are maintained in these accounts or temporarily used to purchase short-term investments.

Individual fund integrity is maintained through the School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the Combined Balance Sheet. During fiscal year 2002, investments were limited to Repurchase Agreements and STAROhio, the State Treasurer's Investment Pool.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

The amounts of this pooled investment are reflected on the Combined Balance Sheet as Equity in Pooled Cash and Cash Equivalents.

Legal Requirements:

Statutes require the classification of moneys held by the School District into three categories.

Category A consists of "active" moneys, those moneys required to be kept in a "cash" or a "near cash" status for immediate use by the School District. Such moneys must be maintained either as cash in the School District treasury or negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" moneys, those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category C consists of "interim" moneys, those moneys which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim moneys may be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government 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;

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five 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 five 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.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits:

At year end, the carrying amount of the School District's cash deposits was \$561,529 and the bank balance was \$417,482. Of the bank's balance:

1. \$100,000 was covered by the federal depository insurance, by collateral held by the School District, or by collateral held by a qualified third party trustee in the name of the School District;
2. \$317,482 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board because the collateral pledged by the financial institution or their trust departments or agents is not in the School District's name, due to the fact that the pledging bank has an investment and securities pool used to collateralize all public deposits. This pool had a market value at June 30, 2002 in excess of 110% of the public funds on deposit.

Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank.

Investments:

The School District's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

1. Securities held by the entity or its agent in the entity's name (Category 1).
2. Securities held by the counterparty's trust department or agent in the entity's name (Category 2).
3. Securities held by the counterparty, or by its trust department or agent, but not in the entity's name (Category 3).

Statutory provisions require that all securities acquired by the School District be held by the School District treasurer or deposited with a qualified trustee unless the counterparty is a designated depository of the School District for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2002. STAROhio is an investment pool managed by the

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002. This is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Carrying Value	Market Value
STAROhio	\$ 0	\$ 0	\$ 0	\$ 25,601,995	\$25,601,995
Repurchase Agreement					
U.S. Treasury Note			1,136,046	1,136,046	1,136,046
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,136,046</u>	<u>\$26,738,041</u>	<u>\$26,738,041</u>

The Classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 26,176,512	\$ 0
Investments:		
Repurchase Agreement	(1,136,046)	1,136,046
STAROhio	(25,601,995)	25,601,995
GASB Statement No. 3	<u>\$ (561,529)</u>	<u>\$ 26,738,041</u>

6. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

even though it is a component of net current assets. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale and are expensed when used.

7. *Fixed Assets and Depreciation*

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The School District has established a capitalization threshold for fixed assets at \$1,000.

Books, records, movies, and other learning aids kept at the School District Library are also included for reporting purposes. The School District does not possess any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line basis over an estimated useful life of five to ten years.

8. *Intergovernmental Revenues*

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred and funding is available. Other than commodities, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements
General Fund
State Foundation Program

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Non-Reimbursable Grants

Special Revenue Funds

Title 1

Chapter 2

Drug Free Schools

Title VI-B

Disadvantaged Pupils

Special Education - Title VI-B - Handicapped
Children

Carl Perkins Vocational

Carl Perkins Adult

Community Service - Perkins Grant

Highway Safety Youth

Job Training Partnership

Title II Eisenhower Grant

District Goal 2002 Grant

Even Start

Fund for the Improvement of Education

State School Improvement Grant

Rockhill Pacesetter Grant

Innovative Education Program Strategies

Medicare Assistance Program

Capital Projects Funds

School Net Grant

Proprietary Funds

Federal Revenue - Latchkey

Stafford Student Loans

Agency Fund

Pell Grant

Reimbursable Grants

Proprietary Funds

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

National School Summer Feeding

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Grants and entitlements amounted to approximately 82 percent of the School District's operating revenue during the 2002 fiscal year.

9. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items.

10. *Short-Term, Interfund Assets/Liabilities*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as interfund receivables/payables.

11. *Compensated Absences*

Employees earn vacation at rates specified by Union Contractual Agreement based on credit service. Administrative and 260 day employees are entitled to vacation ranging from 5 to 20 days. Employees with less than one year of service hired prior to February 1 earn 5 days vacation.

All employees are entitled to a sick leave credit equal to 1¼ days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to 47 days of sick leave. The total maximum is 47 days for certified employees and 44 days for noncertified employees. The School District accounts for compensated absences in accordance with GASB Statement No. 16 and using the vested method recorded an estimated long-term liability of \$2,647,748 for severance pay and sick and vacation leave payable at June 30, 2002. The amount has been recorded in the General Long-Term Obligations Account Group.

12. *Contributed Capital*

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

13. *Long-Term Debt*

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations are reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Accounting principles generally accepted in the United States of America require the allocation of the obligations liability between the debt service fund and the general long-term debt account group, with principal and interest payments on matured general long-term debt reported in the debt service fund. To comply with GAAP reporting requirements, the School District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

14. *Interfund Transactions*

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

15. *Fund Equity*

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for reappropriation in future periods. Fund equity reserves are established for encumbrances, inventory, prepaid items, property taxes, budget stabilization, and for textbook acquisition. The reserve for property taxes represents taxes

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under state statutes.

16. *Proprietary Fund Accounting*

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting," the School District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities.

17. *Restricted Assets*

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and for textbook and capital acquisition. The textbook and capital acquisition reserves are required by state statute and can be used only after receiving approval from the State Superintendent of Public Instruction. Fund balance reserves have also been established.

18. *Estimates*

The preparation of the 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 could differ from those estimates.

19. *Total Columns on General Purpose Financial Statements*

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE B – FUND DEFICITS

Fund balances at June 30, 2002 included the following individual fund deficits:

Deficit Fund Balances

General Fund	\$ 3,246,231
Special Revenue Funds	
Morgan 21 st Century Grant	18,097
CIP Implementation Grant 2000/2001	1,040
Career Development	78
Teacher Development	89
Title VI-R 2001/2002	2,391

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE C - PROPERTY TAX

The School District is located in Stark, Columbiana and Mahoning Counties and receives tax distributions from each county. Real property taxes are levied on assessed values which equal 35% of appraised value. The County Fiscal Officer reappraises all real property every six years with a triennial update. The last update was completed for tax year 1997.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20th of the following year. Under certain circumstances, state statute permits later payment dates to be established.

For all three counties, the full tax rate applied to real property for tax (calendar) year 2001 was \$54.40 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate for each county was as follows:

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Real Property Classified as Residential or Agricultural

County	Rate (per \$1,000 of assessed valuation)
Stark	\$ 26.89
Columbiana	26.89
Mahoning	26.89

All Other Real Property

County	Rate (per \$1,000 of assessed valuation)
Stark	\$ 37.70
Columbiana	37.70
Mahoning	37.70

Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 2001 was \$54.40 per \$1,000 of assessed valuation.

For all three counties combined, the assessed valuations for real property and tangible personal property are as follows:

Real Property - 2001 Valuation

Residential/Agricultural	\$ 152,358,680
Commercial/Industrial	47,019,780

Tangible Personal Property – 2002 Valuation

General	36,964,324
Public Utilities	12,196,690
Total Valuation	\$ 248,539,474

The County Fiscal Officer collects property tax on behalf of all taxing districts within the county. The County Fiscal Officer periodically remits to the taxing districts their portions of the taxes collected.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Accrued property taxes receivable represent taxes outstanding on real property, personal property and public utility property which became measurable as of June 30, 2002. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available and received as an advance at June 30, 2002 was \$183,890 and is recognized as revenue.

NOTE D – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$	91,020,714
Inland Marine Coverage (\$250 deductible)		3,251,628
Boiler and Machinery (\$1,000 deductible)		40,000,000
Automobile Liability (\$100 deductible)		1,000,000
Uninsured Motorists (\$250 deductible)		1,000,000
General Liability		
Per occurrence		1,000,000
Total per year		3,000,000
Umbrella Liability		
Per occurrence		3,000,000
Total per year		3,000,000

The School District is a member of the Stark County Schools Council (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 purposes 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 premium paid as expenditures in the general or applicable fund.

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

The Stark Count Council of Governments has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The group is comprised of the treasurers of the members who have been appointed by the respective governing body of each member.

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

NOTE E - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2002 were as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land and Buildings	\$ 18,604,300	\$19,599,158	\$ 0	\$ 38,203,458
Furniture and Equipment	3,903,402	236,963	0	4,140,365
Vehicles	1,051,634	70,424	0	1,122,058
Textbooks and Library Books	798,179	0	0	798,179
Total	<u>\$ 24,357,515</u>	<u>\$19,906,545</u>	<u>\$ 0</u>	<u>\$ 44,264,060</u>

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$ 241,405
Less Accumulated Depreciation	<u>(213,085)</u>
Net Fixed Assets	<u>\$ 28,320</u>

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE F - LONG-TERM OBLIGATIONS

Long-term obligations of the School District as of June 30, 2002 were as follows:

	Outstanding July 1, 2001	Additions	Reductions	Outstanding June 30, 2002
SERS Payable	\$ 194,312	\$ 174,362	\$ 194,312	\$ 174,362
General Obligation Bond, 1991	1,505,000	0	215,000	1,290,000
OSFC Matching Funds Bond, 2000	9,369,990	0	220,000	9,149,990
OSFC Land Acquisition Bond, 2002	1,400,000	0	45,000	1,355,000
Compensated Absences	2,796,253	0	148,505	2,647,748
Totals	\$15,265,555	\$ 174,362	\$ 822,817	\$14,617,100

The land acquisition and matching funds note was issued in anticipation of the issuance of bonds in fiscal year 2002 and will be repaid from the bond proceeds.

Bond debt principal and interest requirements to retire these bonds as of June 30, 2002 are as follows:

June 30, 2003	\$ 1,108,451
June 30, 2004	1,108,424
June 30, 2005	1,121,304
June 30, 2006	1,136,473
June 30, 2007	1,139,056
2008-2012	4,358,585
2013-2017	4,640,503
2018-2022	4,933,341
2023-2027	1,006,767
Total	\$ 20,552,904

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE G - RETIREMENT PLANS

The School District provides retirement benefits to all certified employees under the State Teachers' Retirement System and to all noncertified employees under the School Employees Retirement System. Both systems are cost-sharing, multiple-employer plans.

1. *State Teachers' Retirement System (STRS)*

The School District contributes to the State Teachers' Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers' Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers' Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$2,038,116, \$1,870,692, and \$1,850,796, respectively; 82.4 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$357,788, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

2. *School Employees Retirement System (SERS)*

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$571,656, \$540,630, and \$517,680, respectively; 51 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$280,190, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

3. *Post-Employment Benefits*

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of monthly premiums. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. As of July 1, 2001, eligible benefit recipients totaled \$102,132. For the fiscal year ended June 30, 2001, net health care costs paid by STRS statewide were \$300.772 million.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year, employer contributions to fund health care benefits were 9.80 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

minimum pay has been established at \$12,400. The number of participants currently receiving health care benefits is 50,000. At June 30, 2001, the net assets available for payment of health care benefits was \$315.7 million.

NOTE H - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four enterprise funds, food service, uniform school supplies, customer service, and adult continuing education, which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the School District for the fiscal year ended June 30, 2002:

	Food Service	Uniform School Supplies	Customer Service	Adult Continuing Education	Total
Operating Revenues	\$ 338,286	\$41,038	\$ 0	\$ 267,760	\$ 647,084
Operating Expenses					
Before Depreciation	1,280,078	29,707	9,774	576,370	1,895,929
Depreciation	9,310	0	0	6,823	16,133
Operating Income/(Loss)	(951,102)	11,331	(9,774)	(315,433)	(1,264,978)
Operating Grants	864,835	0	0	249,261	1,114,096
Net Non-Operating Revenue/Expenses	997,582	0	15,651	319,137	1,332,370
Net Income (Loss)	46,480	11,331	5,877	3,704	67,392
Net Working Capital	655,529	125,112	13,453	12,868	806,962
Total Assets	821,937	125,112	13,478	61,436	1,021,963
Total Equity	663,727	125,112	13,453	32,990	835,282
Reserve for Encumbrances	\$ 16,691	\$ 636	\$ 528	\$ 2,583	\$ 20,438

NOTE I - JOINTLY GOVERNED ORGANIZATIONS

Stark/Portage Area Computer Consortium (SPARCC):

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 placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

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 District's continued participation and no equity interest exists.

NOTE J – STATE SCHOOL FUNDING DECISIONS

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

NOTE K – OTHER REQUIRED FUND DISCLOSURES

A. Set-Aside Requirements

State of Ohio House Bill 412 requires the School District to set aside a portion of the general operating resources for future use. For the fiscal year ended June 30, 2002, the following table disclosed the required set-asides.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2001	\$ 168,575	\$ 2,954	\$ 548,658	\$ 720,187
Current Year Set-aside Requirement	429,588	429,588	0	859,176
Current Year Offsets	0	(429,588)	0	(429,588)
Qualifying Disbursements	<u>(376,893)</u>	<u>0</u>	<u>(139,646)</u>	(516,539)
Total	<u>\$ 221,270</u>	<u>\$ 2,954</u>	<u>409,012</u>	
Cash Balance Carried Forward to FY 2003	<u>\$ 221,270</u>	<u>\$ 2,954</u>	<u>\$ 409,012</u>	
Total Restricted Assets				<u>\$ 633,236</u>

NOTE L – CONSTRUCTION COMMITMENTS

As of June 30, 2002, the School Board has commitments with the following companies for renovation and construction of the new middle school new elementary school, and various other renovations.

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2002

	Contract Amount	Contract Completed	Estimated Amount of Contract Outstanding
Hummell Construction	\$ 7,951,529	\$ 7,571,045	\$380,484
MW Mielke			
Plumbing	531,285	521,661	9,624
Fire	158,993	158,493	500
Feinman Mechanical	2,035,295	2,027,196	8,099
Abbott Electric	929,682	915,958	13,724
Knoch Corp	3,838,762	3,377,170	461,592
Prout Boiler and Heating	1,158,942	1,142,470	16,472
Steingass Mechanical	115,843	113,744	2,099
Burden Electric	552,509	474,456	78,053
Western Reserve Mechanical	272,152	257,888	14,264
Stanley Miller Construction	5,938,311	155,946	5,782,365
Golub Mechanical	748,403	197,881	550,522
Central Fire Protection	504,087	35,526	468,561
AA Samuels	6,497,827	756,068	5,741,759
Valley Electrical	2,278,095	652,478	1,625,617
US Communication	270,062	172,134	97,928
Sound.Com			
Tech/Security	230,750	85,199	145,551
Sound System	324,915	143,430	181,485
Tech/Video	825,015	279,608	545,407
NL Construction	207,115	158,830	48,285
Sanders Electric	51,203	50,994	209
Fine Mechanical	34,776	15,559	19,217
Kiko Heating	59,840	48,375	11,465
	\$ 35,515,391	\$ 19,312,109	\$16,203,282

NOTE M – RESTATEMENT OF PRIOR PERIOD FUND BALANCE

The beginning balance of the trust and agency fund has been restated due to misclassification in the amount of \$1,092.

**Alliance City School District – Stark County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Education</u>						
Passed through the State Department of Education						
Title 1 - Education Consolidated Improvement Act of 1998	84.010	043497-C1-S1	\$ 976,310	\$ -	\$ 901,224	\$ -
Total Title 1			976,310	-	901,224	-
Title VI - Education Consolidation and Improvement Act of 1981	84.298	043497-C2-S1	26,123	-	22,892	-
Total Title VI			26,123	-	22,892	-
Special Education Cluster: Title VI-B - Education of Handicapped Children Act	84.027	043497-6B-SF	651,509	-	394,521	-
Total Title VI-B			651,509	-	394,521	-
Title VI-B - Preschool	84.173	043497-PG-S1	16,889	-	14,982	-
Total Title VI-B - Preschool			16,889	-	14,982	-
Drug Free Schools Grant	84.186	043497-DR-S1	32,425	-	14,842	-
Total Drug Free Schools Grant			32,425	-	14,842	-
Carl Perkins Grant	84.048	04349720	216,818	-	215,977	-
Total Carl Perkins Grant			216,818	-	215,977	-
School to Work	84.276	043497-G2-S1	-	-	24,358	-
Total School to Work			-	-	24,358	-
Community Service - Bureau of Vocational Rehab	84.126	43497	3,921	-	3,921	-
Total Bureau of Vocational Rehab			3,921	-	3,921	-
Raising the Bar	84.318	043497-TF-S2	-	-	17,000	-
Total Raising the Bar			-	-	17,000	-
Title VI-R	84.340	N/A	161,411	-	152,192	-
Total Title VI-R			161,411	-	152,192	-

**Alliance City School District – Stark County
Schedule of Expenditures of Federal Awards - Continued
For the Year Ended June 30, 2002**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
21st Century Community Learning Centers	84.287	43497	116,931	-	116,931	-
Total 21st Century Community Learning Centers			116,931	-	116,931	-
SPED Schoolnet 2002/03	84.352		5,265	-	2,390	-
Total SPED Schoolnet 2002/03			5,265	-	2,390	-
Title II Eisenhower	84.281		20,865	-	17,433	-
Total Title II Eisenhower			20,865	-	17,433	-
Drug & Violence Prevention	84.184		61,653	-	61,653	-
Total Drug & Violence Prevention			61,653	-	61,653	-
Total U.S. Department of Education			2,290,120	-	1,960,316	-
U.S. Department of Education						
Student Financial Assistance Center						
Pell Grant	84.063	N/A	186,164	-	186,164	-
Stafford Student Loan	84.032	N/A	20,314	-	20,314	-
Total U.S. Department of Education Student Financial Assistance Cluster			206,478	-	206,478	-
U.S. Department of Health and Human Services						
Passed through Ohio Department of MRDD						
Medical Assistance Program	93.778	43497	77,379	-	77,379	-
Passed through Stark County						
Social Service Block Grant (JOBS)	93.667	43497	38,519	-	38,519	-
Total U.S. Department of Health and Human Services			115,898	-	115,898	-
U.S. Department of Housing and Urban Development						
Federal Block Grant from City of Alliance	14.218	N/A	19,655	-	19,655	-
Total U.S. Department of Housing and Urban Development			19,655	-	19,655	-

**Alliance City School District – Stark County
Schedule of Expenditures of Federal Awards - Continued
For the Year Ended June 30, 2002**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through the State Department of Education						
Child Nutrition Cluster						
Food Distribution Program	10.550 (A)	43497	-	117,226	-	117,226
National School Breakfast Program	10.553	043497-05-PU	141,853	-	141,853	-
National School Lunch Program	10.555 (B)	043497-03-PU	544,887	-	544,887	-
National School Summer Feeding	10.559	043497-24-AD	40,117	-	40,117	-
Total U.S. Department of Agriculture			<u>726,857</u>	<u>117,226</u>	<u>726,857</u>	<u>117,226</u>
Total Federal Financial Assistance			<u>\$ 3,359,008</u>	<u>\$ 117,226</u>	<u>\$ 3,029,204</u>	<u>\$ 117,226</u>

(A) Valued at fair market value less cost to the School District, assumed expended on a first-in, first-out basis.

(B) Commingled with state and local funds. Assumed expended on a first-in, first-out basis.

This schedule is prepared on the cash basis of accounting.

**Independent Auditors' Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Education
Alliance City School District
Alliance, Ohio 44601

We have audited the general purpose financial statements of the Alliance City School District (the District), as of and for the year ended June 30, 2002 and have issued our report thereon dated December 9, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Alliance City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Alliance City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Moore Stephens Apple

Akron, Ohio
December 9, 2002

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Alliance City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Alliance City School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Alliance City School District's management. Our responsibility is to express an opinion on Alliance City 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 Alliance City 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 Alliance City School District's compliance with those requirements.

In our opinion, Alliance City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Alliance City 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 Alliance City 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Moore Stephens Apple

Akron, Ohio
December 9, 2002

Alliance City School District - Stark County
Schedule of Findings and Questioned Costs

June 30, 2002

1. Summary of Auditors' Results

Unqualified opinion was issued on the financial statements.

Material control weaknesses reported at the financial statement level - none noted.

Reportable control weaknesses at the financial statement level - none noted.

There was no material non-compliance at the financial statement level.

Reportable control weaknesses for major federal programs - none noted.

For those items tested, there was no material non-compliance for major federal programs.

Unqualified opinion was issued on major programs compliance.

The audit disclosed no findings under OMB Circular A-133.

The District's major programs tested were Title I - CFDA #84.010 and Title VI-B-CFDA #84.027, 84.173.

The dollar threshold used for Type A Programs was \$300,000 and Type B programs were all other programs.

The Auditee was low risk.

2. There were no audit findings or questioned costs for federal awards during the year ended June 30, 2002.
3. There were no audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards for the year ended June 30, 2002.

Alliance City School District - Stark County

Schedule of Prior Audit Findings

June 30, 2002

The prior audit report of the Alliance City School District, issued as of June 30, 2001, included no citations and no recommendations.



**Auditor of State
Betty Montgomery**

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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 4, 2003**