

Alliance City School District
Stark County, Ohio

Audited Financial Statements

June 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Alliance City School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 1, 2012

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**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

JUNE 30, 2011

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December 23, 2011

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Alliance City School District (the "School District"), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 23, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Rea & Associates, Inc.

Alliance City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The discussion and analysis of the Alliance City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General Revenues accounted for \$27,212,190 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$9,153,878 or 25 percent of total revenues of \$36,366,068.
- Total program expenses were \$36,611,932.
- In total, net assets decreased \$245,864.
- Outstanding bonded debt increased from \$8,728,415 to \$10,560,164 during 2011.

Using this Annual Report

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal years 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities	
	2011	2010
Assets		
Current and Other Assets	\$ 21,096,173	\$ 19,870,465
Capital Assets	46,438,490	47,041,549
Total Assets	67,534,663	66,912,014
Liabilities		
Other Liabilities	10,999,100	12,168,241
Long-Term Liabilities	14,351,917	12,314,263
Total Liabilities	25,351,017	24,482,504
Net Assets		
Invested in Capital		
Assets, Net of Debt	38,821,937	39,303,020
Restricted	5,170,141	4,312,382
Unrestricted (Deficit)	(1,808,432)	(1,185,892)
Total Net Assets	\$ 42,183,646	\$ 42,429,510

Total assets increased by \$622,649. Current and other assets increased \$1,225,708. This increase was primarily due to an increased cash balance which is a result of receipts continuing to exceed disbursements. Capital assets decreased \$603,059, due to current year depreciation expense exceeding additional purchases. Total liabilities increased by \$868,513 which was primarily a result of an increase from additional general obligations bonds issued.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011

Table 2 shows the changes in net assets for fiscal year 2011. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

(Table 2)
Governmental Activities

	2011	2010
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,510,897	\$ 1,572,598
Operating Grants, Contributions and Interest	7,555,369	6,024,308
Capital Grants, Contributions and Interest	87,612	82,257
<i>General Revenue:</i>		
Property Taxes	8,303,408	7,412,600
Grants and Entitlements	18,772,031	19,025,804
Other	136,751	217,226
<i>Total Revenues</i>	36,366,068	34,334,793
 Program Expenses:		
Instruction	20,631,791	19,796,804
Support Services	13,258,724	10,897,280
Operation of Non-Instructional Services	1,557,083	1,582,674
Extracurricular Activities	591,978	598,854
Interest and Fiscal Charges	572,356	479,260
<i>Total Expenses</i>	36,611,932	33,354,872
 Increase (Decrease) in Net Assets	 \$ (245,864)	 \$ 979,921

Governmental Activities

Several revenue sources fund the School District's governmental activities with grants and entitlements, such as the school foundation program, being the largest contributor. Unrestricted grants and entitlements generated \$18,772,031 in 2011. General revenues from property taxes are also a large revenue generator. Property tax revenues increased \$890,808 from 2010 to 2011. This increase is due to new software implemented by the County Auditor. This new software enables them to process real estate receipts and post them more quickly (see Note 6). The increase of \$1,536,416 in operating grants is due to the School District receiving additional federal grants during the year. The increase of \$3,196,431 in instruction and support services is due to the additional grant revenues received in fiscal year 2011.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011

(Table 3)
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2011	2010	2011	2010
Instruction	\$ 20,631,791	\$ 19,796,804	\$ 15,975,036	\$ 16,547,459
Support Services:				
Pupil and Instructional Staff	3,480,295	3,460,750	1,625,939	1,676,724
Board of Education, Administration				
Fiscal, Business and Central	3,622,560	3,693,537	3,090,804	3,137,147
Operation and Maintenance of Plant	5,335,306	2,954,176	5,137,557	2,709,676
Pupil Transportation	820,563	788,817	820,563	788,817
Operation of Non-Instructional Services	1,557,083	1,582,674	(168,902)	(65,028)
Extracurricular Activities	591,978	598,854	404,701	401,654
Interest and Fiscal Charges	572,356	479,260	572,356	479,260
Total	\$ 36,611,932	\$ 33,354,872	\$ 27,458,054	\$ 25,675,709

Instruction and student support services comprise 66 percent of governmental program expenses. Interest, fiscal, business, central, board of education and administration charges were 11 percent. Interest expense was attributable to the outstanding bonds; fiscal expenses include payments to the County Auditor for administrative fees and other administrative services provided to the School District. Extracurricular activities, pupil transportation, operation and maintenance of plant and operation of non-instructional services account for 23 percent of governmental program expenses.

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

The School District's Funds

Information about the School District's governmental funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$38,530,205 (including other financing uses) and expenditures of \$36,294,370. The net change in fund balance for the fiscal year was an increase of \$2,235,835.

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2011, the fund balance increased \$1,832,642. This was the result of revenues continuing to exceed expenditures.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District did not modify its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenues were \$24,178,097, which was \$718,745 higher than the final budgeted revenues. Primarily due to an increase in intergovernmental revenue.

General fund appropriations (appropriated expenditures plus other financing uses) were \$25,678,779 in the original and final budgets. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$24,061,505, which was \$1,617,274 less than final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$46,438,490 invested in land, buildings and improvements, furniture and equipment, vehicles and textbooks and library books. See Note 8 for additional details. Table 4 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 2,322,643	\$ 2,322,643
Buildings and Improvements	42,375,938	43,772,583
Furniture and Equipment	1,348,964	627,520
Textbooks and Library Books	120,099	146,787
Vehicles	270,846	172,016
Totals	\$ 46,438,490	\$ 47,041,549

The \$603,059 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011

House Bill 345 requires the School District to set aside \$171.96 per pupil in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2011, this amounted to \$408,348 for each set aside. The School District had qualifying disbursements or offsets exceeding these requirements for capital improvements. At June 30, 2011, the School District was required to set aside \$295,597 for the purchase of textbooks and instructional materials in future fiscal years. More detailed information is presented in Note 16.

Debt

At June 30, 2011, the School District had \$10,560,164 in net bonds outstanding with \$582,041 due within one year. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt, at June 30

	2011	2010
Various School Serial and Term Bonds	\$ 9,524,000	\$ 7,455,000
Various Capital Appreciation Bonds	1,036,164	1,273,415
Total	\$ 10,560,164	\$ 8,728,415

On August 3, 2010, the School District issued \$2,259,000 bonds. The bonds were issued for the purpose of improvements to school buildings for energy conservation. The bonds were issued for a fourteen year period with a final maturity at December 1, 2022.

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

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

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

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

Alliance City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2011

Current Issues

The current economic status in combination with losses of tangible personal property tax, tangible personal property tax reimbursement from the state and declining enrollment will continue to place a financial strain on the school district. The community has suffered the loss of numerous manufacturing jobs in recent years; however some manufacturing job growth is evident in 2011.

Contacting the District's Financial Management

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

Alliance City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 10,705,994
Cash and Investments Held with Trustee	150,597
Receivables:	
Taxes	9,017,576
Accounts	29,228
Accrued Interest	11,087
Intergovernmental	883,943
Inventory Held For Resale	37,431
Materials and Supplies Inventory	82,768
Deferred Charges	177,549
Nondepreciable Capital Assets	2,322,643
Depreciable Capital Assets, Net	<u>44,115,847</u>
<i>Total Assets</i>	<u>67,534,663</u>
Liabilities	
Accounts Payable	126,871
Accrued Wages and Benefits	3,199,589
Accrued Vacation Payable	87,838
Matured Compensated Absences Payable	149,381
Intergovernmental Payable	920,215
Deferred Revenue	6,479,449
Accrued Interest Payable	35,757
Long-Term Liabilities:	
Due Within One Year	987,041
Due In More Than One Year	<u>13,364,876</u>
<i>Total Liabilities</i>	<u>25,351,017</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	38,821,937
Restricted for:	
Capital Projects	774,555
Debt Service	897,213
Facility Maintenance	1,697,331
Federal Grants	499,378
Food Service	449,284
Other Purposes	556,783
Set Asides	295,597
Unrestricted	<u>(1,808,432)</u>
<i>Total Net Assets</i>	<u>\$ 42,183,646</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Total Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 12,966,270	\$ 104,898	\$ 1,271,943	\$ 0	\$ (11,589,429)
Special	4,869,150	12,094	1,840,725	0	(3,016,331)
Vocational	1,445,340	40,874	264,282	0	(1,140,184)
Adult Continuing	882,608	449,766	672,173	0	239,331
Student Intervention Services	179,866	0	0	0	(179,866)
Other	288,557	0	0	0	(288,557)
Support Services:					
Pupils	2,128,148	100,463	457,949	0	(1,569,736)
Instructional Staff	1,352,147	0	1,295,944	0	(56,203)
Board of Education	39,069	0	0	0	(39,069)
Administration	2,586,039	369,117	105,226	0	(2,111,696)
Fiscal	559,719	0	0	0	(559,719)
Business	331,748	0	0	0	(331,748)
Operation and Maintenance of Plant	5,335,306	0	110,137	87,612	(5,137,557)
Pupil Transportation	820,563	0	0	0	(820,563)
Central	105,985	54,096	3,317	0	(48,572)
Operation of Non-instructional Services:					
Food Service Operations	1,430,004	209,299	1,383,180	0	162,475
Community Service Operations	127,079	0	133,506	0	6,427
Extracurricular Activities	591,978	170,290	16,987	0	(404,701)
Interest and Fiscal Charges	572,356	0	0	0	(572,356)
<i>Total Governmental Activities</i>	<u>\$ 36,611,932</u>	<u>\$ 1,510,897</u>	<u>\$ 7,555,369</u>	<u>\$ 87,612</u>	<u>(27,458,054)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					7,140,543
Debt Service					841,502
Capital Outlay					235,022
Other Purposes					86,341
Grants and Entitlements not Restricted to Specific Programs					18,772,031
Investment Earnings					42,439
Miscellaneous					94,312
<i>Total General Revenues</i>					<u>27,212,190</u>
Change in Net Assets					(245,864)
<i>Net Assets Beginning of Year</i>					<u>42,429,510</u>
<i>Net Assets End of Year</i>					<u>\$ 42,183,646</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	All Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 5,917,830	\$ 4,492,567	\$ 10,410,397
Cash and Investments Held with Trustee	150,597	0	150,597
Restricted Cash and Investments	295,597	0	295,597
Receivables:			
Taxes	7,768,207	1,249,369	9,017,576
Accounts	4,404	24,824	29,228
Accrued Interest	11,087	0	11,087
Intergovernmental	0	883,943	883,943
Inventory Held For Resale	0	37,431	37,431
Materials and Supplies Inventory	65,715	17,053	82,768
<i>Total Assets</i>	<u>\$ 14,213,437</u>	<u>\$ 6,705,187</u>	<u>\$ 20,918,624</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 90,042	\$ 36,829	\$ 126,871
Accrued Wages and Benefits	2,634,915	564,674	3,199,589
Matured Compensated Absences Payable	142,375	7,006	149,381
Intergovernmental Payable	738,678	181,537	920,215
Deferred Revenue	6,816,125	1,715,313	8,531,438
<i>Total Liabilities</i>	<u>10,422,135</u>	<u>2,505,359</u>	<u>12,927,494</u>
Fund Balances			
Nonspendable	65,715	54,484	120,199
Restricted	446,194	4,169,699	4,615,893
Committed	65,767	0	65,767
Assigned	331,984	0	331,984
Unassigned	2,881,642	(24,355)	2,857,287
<i>Total Fund Balances</i>	<u>3,791,302</u>	<u>4,199,828</u>	<u>7,991,130</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 14,213,437</u>	<u>\$ 6,705,187</u>	<u>\$ 20,918,624</u>

See accompanying notes to the basic financial statements.

Alliance City School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2011*

Total Governmental Fund Balances	\$	7,991,130
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		46,438,490
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 625,697	
Delinquent Property Taxes	1,426,292	
Total		2,051,989
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		177,549
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.		(35,757)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(9,524,000)	
Capital Appreciation Bonds	(340,307)	
Bond Accretion	(695,857)	
Unamortized Bond Premium	(595,529)	
Refunding Loss	424,724	
Accrued Vacation Payable	(87,838)	
Compensated Absences	(3,620,948)	
Total		(14,439,755)
 <i>Net Assets of Governmental Activities</i>	 \$	 42,183,646

See accompanying notes to the basic financial statements.

Alliance City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 7,153,987	\$ 1,181,087	\$ 8,335,074
Intergovernmental	17,772,719	8,326,740	26,099,459
Investment Income	42,684	3,581	46,265
Tuition and Fees	324,624	406,709	731,333
Extracurricular Activities	87,811	332,377	420,188
Rentals	68,702	20,866	89,568
Charges for Services	56,634	219,042	275,676
Contributions and Donations	19,253	115,891	135,144
Miscellaneous	66,859	27,453	94,312
<i>Total Revenues</i>	<u>25,593,273</u>	<u>10,633,746</u>	<u>36,227,019</u>
Expenditures			
Current:			
Instruction:			
Regular	9,218,813	2,546,695	11,765,508
Special	3,407,299	1,451,191	4,858,490
Vocational	1,299,991	120,317	1,420,308
Adult Continuing	389,615	492,993	882,608
Student Intervention Services	178,617	1,249	179,866
Other	234,766	54,643	289,409
Support Services:			
Pupils	1,274,399	853,995	2,128,394
Instructional Staff	520,863	990,232	1,511,095
Board of Education	39,069	0	39,069
Administration	2,154,955	393,974	2,548,929
Fiscal	531,352	16,027	547,379
Business	410,295	0	410,295
Operation and Maintenance of Plant	2,786,998	2,706,452	5,493,450
Pupil Transportation	868,861	13,033	881,894
Central	27,133	61,467	88,600
Operation of Non-instructional Services:			
Food Service Operations	0	1,415,166	1,415,166
Community Service Operations	0	126,000	126,000
Extracurricular Activities	405,716	185,757	591,473
Capital Outlay	63,723	0	63,723
Debt Service:			
Principal Retirement	15,000	295,736	310,736
Interest and Fiscal Charges	111,003	567,539	678,542
Issuance Costs	19,250	44,186	63,436
<i>Total Expenditures</i>	<u>23,957,718</u>	<u>12,336,652</u>	<u>36,294,370</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,635,555</u>	<u>(1,702,906)</u>	<u>(67,351)</u>
Other Financing Sources			
General Obligation Bonds Issued	0	2,259,000	2,259,000
Premium on Bonds Issued	0	44,186	44,186
<i>Total Other Financing Sources and Uses</i>	<u>0</u>	<u>2,303,186</u>	<u>2,303,186</u>
<i>Net Change in Fund Balances</i>	1,635,555	600,280	2,235,835
<i>Fund Balances Beginning of Year - Restated (See Note 19)</i>	<u>2,155,747</u>	<u>3,599,548</u>	<u>5,755,295</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,791,302</u>	<u>\$ 4,199,828</u>	<u>\$ 7,991,130</u>

See accompanying notes to the basic financial statements.

Alliance City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ 2,235,835

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

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

Capital Asset Additions	\$ 1,110,640	
Current Year Depreciation	<u>(1,695,348)</u>	
Total		(584,708)

Net effect of transactions involving sale of capital assets are not reflected in the funds. (18,351)

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

Grants	170,714	
Delinquent Property Taxes	<u>(31,665)</u>	
Total		139,049

Repayment of bond principal and accreted interest on capital appreciation bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal	310,736	
Accreted Interest	<u>274,264</u>	
Total		585,000

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

Accrued Interest	(10,064)	
Accretion on Capital Appreciation Bonds	(157,749)	
Refunding Loss Amortization	(35,394)	
Bond Premium Amortization	<u>4,893</u>	
Total		(198,314)

In statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. 49,486

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

Proceeds from General Obligation Bonds Issued	(2,259,000)
---	-------------

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

Compensated Absences	(175,404)	
Accrued Vacation Payable	<u>(19,457)</u>	
Total		<u>(194,861)</u>

Change in Net Assets of Governmental Activities \$ (245,864)

See accompanying notes to the basic financial statements.

Alliance City School District
*Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
 General Fund
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,485,932	\$ 6,485,932	\$ 6,471,344	\$ (14,588)
Intergovernmental	16,694,017	16,694,017	17,497,588	803,571
Investment Income	81,104	81,104	55,723	(25,381)
Tuition and Fees	83,452	83,452	73,274	(10,178)
Rent	13,821	13,821	13,190	(631)
Charges for Services	20,780	20,780	23,649	2,869
Miscellaneous	80,246	80,246	43,329	(36,917)
<i>Total Revenues</i>	<u>23,459,352</u>	<u>23,459,352</u>	<u>24,178,097</u>	<u>718,745</u>
Expenditures				
Current:				
Instruction:				
Regular	10,482,564	10,482,564	9,287,624	1,194,940
Special	3,647,163	3,647,163	3,616,103	31,060
Vocational	1,234,693	1,234,693	1,255,114	(20,421)
Student Intervention Services	467,726	467,726	178,617	289,109
Other	323,968	323,968	254,448	69,520
Support Services:				
Pupils	1,221,527	1,221,527	1,270,021	(48,494)
Instructional Staff	492,691	492,691	518,618	(25,927)
Board of Education	46,074	46,074	38,029	8,045
Administration	2,318,577	2,318,577	2,276,637	41,940
Fiscal	529,720	529,720	526,692	3,028
Business	387,160	387,160	413,928	(26,768)
Operation and Maintenance of Plant	2,860,961	2,860,961	2,900,541	(39,580)
Pupil Transportation	935,171	935,171	877,622	57,549
Central	70,177	70,177	29,808	40,369
Operation of Non-instructional Services:				
Community Services	3,624	3,624	0	3,624
Extracurricular Activities	398,926	398,926	408,727	(9,801)
Capital Outlay	65,667	65,667	63,723	1,944
Debt Service:				
Principal	165,600	165,600	15,000	150,600
Interest	7,540	7,540	111,003	(103,463)
Issuance Costs	19,250	19,250	19,250	0
<i>Total Expenditures</i>	<u>25,678,779</u>	<u>25,678,779</u>	<u>24,061,505</u>	<u>1,617,274</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,219,427)</u>	<u>(2,219,427)</u>	<u>116,592</u>	<u>2,336,019</u>
<i>Net Change in Fund Balance</i>	<u>(2,219,427)</u>	<u>(2,219,427)</u>	<u>116,592</u>	<u>2,336,019</u>
<i>Fund Balance Beginning of Year</i>	5,041,350	5,041,350	5,041,350	0
Prior Year Encumbrances Appropriated	401,281	401,281	401,281	0
<i>Fund Balance End of Year</i>	<u>\$ 3,223,204</u>	<u>\$ 3,223,204</u>	<u>\$ 5,559,223</u>	<u>\$ 2,336,019</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	
	Scholarships	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 18,791	\$ 217,423
Liabilities		
Due to Students	0	217,423
<i>Total Liabilities</i>	0	\$ 217,423
Net Assets		
Held in Trust for Scholarships	\$ 18,791	

See accompanying notes to the basic financial statements.

Alliance City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
	Scholarships
Additions	
Interest	\$ 54
<i>Change in Net Assets</i>	54
<i>Net Assets Beginning of Year</i>	18,737
<i>Net Assets End of Year</i>	\$ 18,791

See accompanying notes to the basic financial statements.

Alliance City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

The Alliance City School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District. Average daily membership (ADM) as of October 1, 2010 was 3,039. The School District employed 253 certified employees and 152 non-certified employees.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2011, investments were limited to a repurchase agreement, certificates of deposit, a money market, mutual funds and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$42,684, which includes \$11,770 assigned from other School District funds.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and investments.” Investments with an original maturity of more than three months are reported as “investments.”

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by statute to be set aside for the purchase of textbooks and other instructional materials. See Note 17 for additional information regarding set-asides.

J. Capital Assets

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

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

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

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2011, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

Q. Estimates

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

R. Changes in Accounting Principles

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 3 – ACCOUNTABILITY

Deficit fund balances at June 30, 2011 including the following individual fund deficits:

<u>Non-Major Funds</u>	
Title II-D	\$ 973
Public Preschool	372
Title I	22,503
Title VI-B Preschool	507

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
- 4) Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	General
GAAP Basis	\$ 1,635,555
Net Adjustment for Revenue Accruals	(643,652)
Net Adjustment for Expenditure Accruals	(309,632)
Funds Budgeted Elsewhere **	(200,352)
Adjustment for Encumbrances	(365,327)
Budget Basis	\$ 116,592

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

NOTE 5 - DEPOSITS AND INVESTMENTS

State statues classify monies held by the School District into three categories.

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

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

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

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2011, the School District and public depositories complied with the provisions of these statutes.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the School District’s deposits was \$6,759,239. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures,” as of June 30, 2011, \$1,272,556 of the School District’s bank balance of \$6,967,015 was exposed to custodial risk as discussed above, while \$5,694,459 was covered by Federal Deposit Insurance Corporation.

Funds Held by Trustee

Huntington National Bank acts as a trustee for the School District. Huntington National Bank held on account as of June 30, 2011, \$150,597. This money is held in trustee accounts in a sinking fund for the repayment of bonds on December 1, 2024. Collateral is held on direct deposit with the Federal Reserve.

Investments

As of June 30, 2011, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		6 Months or Less	24-36 Months
Repurchase Agreement	\$ 368,495	\$ 368,495	\$ 0
AIM Government & Agency Mutual Funds	455,244	1,990	453,254
STAROhio	3,359,230	3,359,230	0
Total	\$ 4,182,969	\$ 3,729,715	\$ 453,254

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment in repurchase agreements is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk The School District’s investments in the federal agency securities that underlie the School District’s repurchase agreement were rated Aaa by Moody’s Investor Services. Standard & Poor’s has assigned STAROhio an AAA rating. The AIM Government & Agency mutual funds are unrated.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2011:

Investment Type	Fair Value	Percent of Total
Repurchase Agreement	\$ 368,495	8.81%
AIM Government & Agency Mutual Funds	455,244	10.88%
STAROhio	3,359,230	80.31%
Total	\$ 4,182,969	100.00%

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (Continued)

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

The School District receives property taxes from Stark, Columbiana and Mahoning Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2011, was \$952,082 in the general fund, \$113,452 in the bond retirement debt service fund, \$31,853 in the permanent improvement and capital projects fund, and \$14,448 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2010, was \$269,439 in the general fund, \$35,979 in the bond retirement debt service fund, \$9,016 in the permanent improvement capital projects fund and \$4,272 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Residential/Agricultural	\$ 171,990,740	68%	\$ 171,518,870	69%
Commercial/Industrial	69,890,940	28%	68,380,500	27%
General	397,240	0%	70,440	0%
Public Utilities	9,349,440	4%	9,594,430	4%
Total Assessed Value	\$ 251,628,360	100%	\$ 249,564,240	100%
Tax rate per \$1,000 of Assessed Value	\$ 60.80		\$ 60.40	

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, accounts (tuition and fees), intergovernmental and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance 06/30/2010	Additions	Reductions	Balance 06/30/2011
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 2,322,643	\$ 0	\$ 0	\$ 2,322,643
<i>Depreciable Capital Assets:</i>				
Building and Improvements	56,612,561	40,337	0	56,652,898
Furniture and Equipment	1,824,008	906,723	0	2,730,731
Vehicles	1,301,423	163,580	(186,946)	1,278,057
Textbooks and Library Books	1,651,978	0	0	1,651,978
<i>Total Capital Assets, Being Depreciated</i>	61,389,970	1,110,640	(186,946)	62,313,664
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(12,839,978)	(1,436,982)	0	(14,276,960)
Furniture and Equipment	(1,196,488)	(185,279)	0	(1,381,767)
Vehicles	(1,129,407)	(46,399)	168,595	(1,007,211)
Textbooks and Library Books	(1,505,191)	(26,688)	0	(1,531,879)
Total Accumulated Depreciation	(16,671,064)	(1,695,348) *	168,595	(18,197,817)
<i>Total Capital Assets Being Depreciated, Net</i>	44,718,906	(584,708)	(18,351)	44,115,847
<i>Governmental Activities Capital Assets, Net</i>	\$ 47,041,549	\$ (584,708)	\$ (18,351)	\$ 46,438,490

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 8 – CAPITAL ASSETS (Continued)

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 1,479,862
Special	10,660
Vocational	32,032
Support Services:	
Instructional Staff	15,780
Administration	6,465
Business	13,516
Operation and Maintenance of Plant	48,648
Pupil Transportation	55,073
Central	17,385
Operation of Non-Instructional Services:	
Food Service Operations	14,343
Community Services	1,079
Extracurricular Activities	<u>505</u>
 Total Depreciation Expense	 <u><u>\$ 1,695,348</u></u>

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011 the School District contracted with The Netherlands Insurance Company for property, general liability, fleet, equipment, boilers, umbrella, and inland marine insurance. The School District carries a \$137,334,572 blanket policy with a \$5,000 deductible on the buildings and personal property. Vehicles have a \$500 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 9 – RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2011, the School District participated in the CompManagement Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sedgwick CMS CompManagement provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's contributions to SERS for the years ended June 30, 2011, 2010 and 2009 were \$470,815, \$554,623 and \$341,661, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,078,356, \$2,028,150 and \$2,016,443, respectively; 80 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$50,106 made by the School District and \$31,050 made by the plan members.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105e. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$57,008, \$19,963 and \$156,360, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$30,298, \$32,982 and \$28,190, respectively; 41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$159,874, \$156,012 and \$155,111, respectively; 80 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and 260-day employees are entitled to vacation ranging from 5 to 25 days. Employees with less than one year of service, hired prior to February 1, earn 5 days vacation.

All employees are entitled to a sick leave credit equal to 1¼ days for each month of service. The sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is based on a formula. The formula is .6% of final contract salary times 65 days times (Accumulated sick days (maximum 120) divided by 120).

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2011 were as follows:

	Outstanding 06/30/2010	Additions	Deductions	Outstanding 6/30/2011	Due Within One Year
Governmental Activities					
Limited Tax General Obligation Energy Conservation Improvement Bonds					
2,256,000 5.70%	\$ 0	\$ 2,259,000	\$ 0	\$ 2,259,000	\$ 0
Unamortized Premium	0	44,186	(2,893)	41,293	0
2000 Classroom Facilities Bonds - \$9,564,991 5.00-5.80%					
Capital Appreciation Bonds	237,064	0	(120,736)	116,328	116,328
Accretion on Capital Appreciation Bonds	486,664	58,313	(274,264)	270,713	270,713
2001 School Improvement Bonds - \$1,399,999 3.50-5.30%					
Serial and Term Bonds	135,000	0	(65,000)	70,000	70,000
Capital Appreciation Bonds	39,999	0	0	39,999	0
Accretion on Capital Appreciation Bonds	101,315	21,126	0	122,441	0
2007 Classroom Facilities and Site Acquisition Refunding Bonds - \$7,653,980 - 4.00-4.55% Serial and Term Bonds					
Capital Appreciation Bonds	7,065,000	0	(110,000)	6,955,000	110,000
Accretion on Capital Appreciation Bonds	183,980	0	0	183,980	0
Unamortized Premium	224,393	78,310	0	302,703	0
Refunding Loss	600,422	0	(46,186)	554,236	0
	(460,118)	0	35,394	(424,724)	0
2009 Qualified School Construction Bonds \$255,000 1.79%					
	255,000	0	(15,000)	240,000	15,000
Compensated Absences	3,445,544	482,714	(307,310)	3,620,948	405,000
<i>Total Governmental Activities</i>					
<i>Long-Term Liabilities</i>	<u>\$ 12,314,263</u>	<u>\$ 2,943,649</u>	<u>\$ (905,995)</u>	<u>\$ 14,351,917</u>	<u>\$ 987,041</u>

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

2009 Qualified School Construction Bonds

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

The issuance costs of \$13,200 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$943.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

2000 Classroom Facilities General Obligation Bonds

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

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

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

The capital appreciation bonds mature December 1, 2010 through December 1, 2011. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,565,000. For fiscal year 2011, the accretion amount was \$58,313. A capital appreciation bond matures December 1, 2011. The total payment due is \$4,055,000. The amount due in one year reflects \$387,041. The difference is due to not all interest being accreted at June 30, 2011.

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

2001 School Improvement Bonds

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

The capital appreciation bonds mature December 1, 2012 through December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$225,000. For fiscal year 2011, the accretion amount was \$21,126.

2007 Classroom Facilities and Site Acquisition Refunding General Obligation Bonds

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

At the date of refunding, \$8,251,300 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$6,865,000 of the 2000 Series Bonds and \$820,000 of the 2001 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the 2001 financial statements. The advance refunding reduced cash flows required for debt service by \$308,338 over the next thirteen years and resulted in an economic gain of \$233,929. As of June 30, 2011 the entire amount of defeased bonds were outstanding.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The bonds were issued with a premium of \$738,980, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$46,186. The issuance costs of \$141,660 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$8,854. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$566,300. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2011 was \$35,394.

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

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

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

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

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

The capital appreciation bonds will mature December 1, 2010. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,630,000. The fiscal year 2011 accretion amount is \$78,310.

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

Limited Tax General Obligation Energy Conservation Improvement Bonds

On August 3, 2010, the School District issued term bonds in the amount of \$2,259,000. The bonds were issued for the purpose of improvements to school buildings for energy conservation. The bonds were issued for a fourteen year period with a final maturity at December 1, 2022.

The bonds were issued with a premium of \$44,186, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$2,893. The issuance costs of \$64,436 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$4,554.

These bonds mature on December 1, 2024. The School District is required to make annual interest and sinking fund payments over a fifteen year period to Huntington Bank, the Trustee, which will pay the annual interest. The sinking fund payments are \$150,600 per year and began in fiscal year 2011. They are accumulated in a trust account with Huntington Bank, and are reported as “Cash and Investments Held with Trustee” on the financial statements.

Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	195,000	418,728	116,328	288,672	311,328	707,400
2013	555,000	403,850	14,184	60,816	569,184	464,666
2014	590,000	382,281	13,324	61,676	603,324	443,957
2015	630,000	358,211	12,491	62,509	642,491	420,720
2016	745,000	330,042	183,980	1,446,020	928,980	1,776,062
2017-2021	2,565,000	1,364,224	0	0	2,565,000	1,364,224
2022-2025	4,244,000	535,453	0	0	4,244,000	535,453
Total	\$ 9,524,000	\$ 3,792,789	\$ 340,307	\$ 1,919,693	\$ 9,864,307	\$ 5,712,482

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Services Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District's continued participation and no equity interest exists. During the year ended June 30, 2011, the School District paid \$33,834 to SPARCC.

NOTE 15 – PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

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

B. Insurance Purchasing Pool

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

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

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 16 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

NOTE 17 – SET-ASIDES

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

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

	Textbooks	Capital Improvements
Set-aside Restricted Balance as of June 30, 2010	\$ 328,196	\$ 0
Current Year Set-Aside Requirement	408,348	408,348
Current Year Qualifying Disbursements	(440,947)	0
Current Year Offsets	0	(290,810)
Prior Year Offsets from Bond Proceeds	0	(6,765,917)
Totals	<u>\$ 295,597</u>	<u>\$ (6,648,379)</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ 295,597</u>	<u>\$ (6,648,379)</u>
Set-Aside Reserve Balance as of June 30, 2011	<u>\$ 295,597</u>	<u>\$ 0</u>

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 17 – SET-ASIDES (Continued)

The School District had qualifying prior year carryover and disbursements during the fiscal year that reduced the capital acquisition set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years up to the prior year carryover relating to debt.

The School District did not have enough qualifying disbursements to exceed the requirements for textbooks and other instructional materials and is required to establish a restricted fund balance of \$295,597. This amount should also be reported as restricted cash and investments in the general fund. Effective July 1, 2011, textbook set-aside laws have been repealed.

NOTE 18 – FUND BALANCE

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

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

	General	Other Governmental Funds	Total
Nonspendable for:			
Inventory	\$ 65,715	\$ 54,484	\$ 120,199
Restricted for:			
Set Asides	295,597	0	295,597
Sinking fund	150,597	0	150,597
Debt Service	0	636,872	636,872
Capital Outlay	0	725,688	725,688
Special Education	0	21,452	21,452
Facility maintenance	0	1,679,923	1,679,923
Food Service	0	475,180	475,180
Other Purposes	0	630,584	630,584
Total Restricted	446,194	4,169,699	4,615,893
Committed for:			
E-Rate and Career Tech	65,767	0	65,767
Assigned for:			
Encumbrances	331,984	0	331,984
Unassigned	2,881,642	(24,355)	2,857,287
Total Fund Balance	\$ 3,791,302	\$ 4,199,828	\$ 7,991,130

Alliance City School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 19: RESTATEMENT OF FUND BALANCES

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54 “*Fund Balance Reporting*,”. These fund reclassifications had the following effect on the School District’ governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ 1,943,639	\$ 3,811,656	\$ 5,755,295
Fund Reclassification:			
Uniform School Supplies Fund	44,607	(44,607)	0
Customer Service Fund	20,827	(20,827)	0
Adult Continuing Education Fund	80,833	(80,833)	0
Public School Support Fund	65,841	(65,841)	0
Restated Fund Balance at July 1, 2010	<u>\$ 2,155,747</u>	<u>\$ 3,599,548</u>	<u>\$ 5,755,295</u>

The fund reclassifications did not have an effect on net assets previously reported.

December 23, 2011

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alliance City School District (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Alliance City School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
December 23, 2011
Page 2

Compliance and Other Matters

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

We noted certain matters that we reported to management of the School District in a separate letter dated December 23, 2011.

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

Rea & Associates, Inc.

December 23, 2011

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Alliance City School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Alliance City School District
Independent Auditor's Report on Compliance with Requirements
That could have a Direct and Material Effect on each Major
Program and Internal Control Over Compliance with OMB
Circular A-133
December 23, 2011
Page 2

Internal Control Over Compliance

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

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

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

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

Rea & Associates, Inc.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
<u>U. S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	10.553	2011	\$ 270,140		\$ 270,140	
National School Lunch Program	10.555	2011	874,460	\$ 99,246	874,460	\$ 99,246
National School Summer Feeding	10.559	2011	104,320		104,320	
Total - Nutrition Cluster			<u>1,248,920</u>	<u>99,246</u>	<u>1,248,920</u>	<u>99,246</u>
Total US Department of Agriculture			<u>1,248,920</u>	<u>99,246</u>	<u>1,248,920</u>	<u>99,246</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Title I Cluster:						
Title 1, Part A	84.010	2010	232,944		277,389	
		2011	1,326,423		1,141,372	
School Improvement Grant		2010	4,172		1,398	
		2011	66,690		32,934	
Title I, Part A - ARRA	84.389	2010	238,334		285,134	
		2011	204,254		195,777	
Total Title I Cluster			<u>2,072,817</u>		<u>1,934,004</u>	
Special Education Cluster:						
Title VI-B	84.027	2010	75,049		99,234	
		2011	681,733		587,863	
IDEA Part B - ARRA	84.391	2010	119,656		147,959	
		2011	260,951		236,717	
Title VI-B Preschool	84.173	2010	1,227		1,933	
		2011	16,025		13,604	
IDEA Part B Preschool - ARRA	84.392	2010	127		0	
		2011	9,983		9,952	
Total Special Education Cluster			<u>1,164,751</u>		<u>1,097,262</u>	
Safe, Drug-Free Schools & Communities Act Grant	84.186	2010	1,170		1,104	
Total Safe, Drug-Free Schools			<u>1,170</u>		<u>1,104</u>	
Carl Perkins Grant	84.048	2010	8,831		14,380	
		2011	158,587		140,069	
Total Carl Perkins Grant			<u>167,418</u>		<u>154,449</u>	
Title II-D Technology Cluster:						
Title II-D Technology	84.318	2010	5,432		1,014	
		2011	4,067		4,067	
Title II-D - ARRA	84.386	2010	5,586		9,148	
		2011	388,343		388,343	
Total Title II-D Cluster			<u>403,428</u>		<u>402,572</u>	

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
Title II-A	84.367	2010	\$ 54,715		\$ 40,418	
		2011	<u>201,376</u>		<u>178,025</u>	
Total Title II-A			256,091		218,443	
Education for Homeless Families and Youth - ARRA	84.387	2010	(62)		0	
		2011	<u>2,204</u>		<u>1,267</u>	
Total Education for Homeless Families and Youth - ARRA			2,142		1,267	
State Fiscal Stabilization - ARRA	84.394	2010	0		88,523	
		2011	<u>1,370,742</u>		<u>1,370,742</u>	
Total State Fiscal Stabilization - ARRA			1,370,742		1,459,265	
EdJobs Fund	84.410	2011	817,731		727,432	
Total U. S. Department of Education Passed through Ohio Department of Education			<u>4,065,613</u>		<u>5,995,798</u>	
U.S. DEPARTMENT OF EDUCATION						
<i>(Direct Award)</i>						
Student Financial Assistance Cluster						
Pell Grant	84.063	2011	571,457		571,457	
Federal Family Education Loans	84.032	2011	<u>332,182</u>		<u>332,182</u>	
Total U.S. Dept of Education Student Financial Assistance Cluster			903,639		903,639	
Total U.S. Department of Education			<u>4,969,252</u>		<u>6,899,437</u>	
U.S. DEPARTMENT OF LABOR						
<i>Passed through Mahoning and Columbiana Training Association:</i>						
WIA Dislocated Workers	17.260	2011	<u>19,887</u>		<u>19,887</u>	
Total			19,887		19,887	
<i>Passed through Stark County Department of Job and Family Services:</i>						
WIA Dislocated Workers	17.260	2011	<u>22,758</u>		<u>22,758</u>	
Total			<u>22,758</u>		<u>22,758</u>	
Total WIA Dislocated Workers			42,645		42,645	
Total U.S. Department of Labor			<u>42,645</u>		<u>42,645</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
<i>Passed through the City of Alliance:</i>						
Community Development Block Grant	14.218	2010	11,737		11,737	
Total U.S. Department of Housing and Urban Development			<u>11,737</u>		<u>11,737</u>	
Total Federal Financial Assistance			<u>\$ 6,272,554</u>	<u>\$ 99,246</u>	<u>\$ 8,202,739</u>	<u>\$ 99,246</u>

See accompanying notes to schedule of expenditures of federal awards.

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B: NUTRITION CLUSTER

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

Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2011, the School District had no significant food commodities inventory.

NOTE C: GUARANTEED STUDENT LOANS

For fiscal year 2010-2011, the School District certified \$332,182 in Guaranteed Student Loans and Supplemental Loans.

NOTE D: The School District generally must spend federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with the Ohio Department of Education's (ODE) approval, a School District can transfer unspent federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2011, ODE authorized the following transfers:

CFDA Number	Program Title	Entity Number (or Grant Year)	Transfers Out	Transfers In
84.010	Title I	2010	\$ 75,900	
84.010	Title I	2011		\$ 75,900
84.010	Title I - School Improvement	2010	15,602	
84.010	Title I - School Improvement	2011		15,602
84.367	Title II-A	2010	18,234	
84.367	Title II-A	2011		18,234
84.318	Title II-D	2010	306	
84.318	Title II-D	2011		306
84.173	Early Childhood Education	2010	653	
84.173	Early Childhood Education	2011		653
84.387	Title I - Homeless Assistance - ARRA	2010	62	
84.387	Title I - Homeless Assistance - ARRA	2011		62
84.392	Early Childhood Education - ARRA	2010	500	
84.392	Early Childhood Education - ARRA	2011		500

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster Special Education Cluster State Fiscal Stabilization Fund Title II-D Cluster Ed Jobs Fund	CFDA # 84.010, 84.389 84.027, 84.173, 84.391, 84.392 84.394 84.318, 84.386 84.410
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

December 23, 2011

Alliance City School District
Stark County
Alliance, Ohio 44601

Independent Accountant's Report on Applying Agreed-Upon Procedure

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Alliance City School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 19, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



Dave Yost • Auditor of State

ALLIANCE CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2012**