



Dave Yost • Auditor of State

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Alliance City School District
Stark County
200 Glamorgan Street
Alliance, Ohio 44601

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Alliance City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Alliance City School District, Stark County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2015

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Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of the Alliance City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- Net position decreased \$124,381, which represents a .318% decrease from 2013.
- Capital assets decreased \$1,126,589 during fiscal year 2014.
- During the year, outstanding debt decreased from \$9,598,226 to \$9,078,788 due to principal payments made by the School District

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 20 and 21. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

Table 1
Net Position

	Governmental Activities	
	2014	Restated 2013
Assets		
Current and Other Assets	\$ 20,937,753	\$ 20,973,169
Capital Assets	42,303,128	43,429,717
<i>Total Assets</i>	<u>63,240,881</u>	<u>64,402,886</u>
Deferred Outflows of Resources	<u>318,542</u>	<u>353,936</u>
Liabilities		
Other Liabilities	4,907,983	4,983,369
Long-Term Liabilities	12,155,998	13,319,905
<i>Total Liabilities</i>	<u>17,063,981</u>	<u>18,303,274</u>
Deferred Inflows of Resources	<u>7,472,911</u>	<u>7,306,636</u>
Net Position		
Net Investment in Capital Assets	36,084,523	36,546,774
Restricted	5,329,224	5,224,999
Unrestricted	(2,391,216)	(2,624,861)
<i>Total Net Position</i>	<u>\$ 39,022,531</u>	<u>\$ 39,146,912</u>

At year end, capital assets represented 67 percent of total assets. Capital assets include, land, buildings and improvements, furniture and equipment, vehicles and textbooks and library books. Net investment in capital assets was \$36,084,523 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$5,329,224 or 14 percent represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position was a deficit of \$2,391,216.

Total assets decreased \$1,162,005. The largest decrease was in capital assets due to current year depreciation exceeding current year additions. Grants receivable increased by \$338,683 due to grants not being completely drawn down by the end of fiscal year 2014.

Long term liabilities decreased by \$1,163,907 due to principal payments made by the School District.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	Restated 2013
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,015,970	\$ 2,005,779
Operating Grants	5,513,553	5,882,442
Capital Grants	3,089	2,909
<i>Total Program Revenues</i>	<u>7,532,612</u>	<u>7,891,130</u>
<i>General Revenues:</i>		
Property Taxes	7,611,865	7,516,161
Grants and Entitlements Not Restricted	21,046,815	19,623,580
Other	148,726	218,770
<i>Total General Revenues</i>	<u>28,807,406</u>	<u>27,358,511</u>
<i>Total Revenues</i>	<u>36,340,018</u>	<u>35,249,641</u>
Program Expenses		
Instruction:		
Regular	15,660,423	15,526,681
Special	5,417,498	5,757,874
Vocational	1,197,745	1,267,102
Adult/Continuing	639,534	651,138
Student Intervention Services	298,954	199,000
Other	197,883	143,754
Support Services:		
Pupils	1,424,065	1,470,934
Instructional Staff	952,499	1,052,885
Board of Education	39,335	39,858
Administration	2,228,193	2,164,751
Fiscal	693,930	600,020
Business	222,475	330,551
Operation and Maintenance of Plant	3,350,511	3,342,895
Pupil Transportation	873,639	880,369
Central	321,346	155,350
Operation of Non-Instructional Services:		
Food Service Operations	1,512,195	1,472,238
Community Services	106,921	136,747
Extracurricular Activities	807,767	812,541
Debt Service:		
Interest and Fiscal Charges	519,486	525,697
<i>Total Expenses</i>	<u>36,464,399</u>	<u>36,530,385</u>
<i>Decrease in Net Position</i>	(124,381)	(1,280,744)
<i>Net Position at Beginning of Year</i>	<u>39,146,912</u>	<u>40,427,656</u>
<i>Net Position at End of Year</i>	<u>\$ 39,022,531</u>	<u>\$ 39,146,912</u>

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Unrestricted grants increased by \$1,423,235 due to additional State foundation revenue in fiscal year 2014.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2014	Restated 2013	2014	Restated 2013
Instruction:				
Regular	\$ 15,660,423	\$ 15,526,681	\$ 14,376,759	\$ 14,145,487
Special	5,417,498	5,757,874	3,520,381	3,670,681
Vocational	1,197,745	1,267,102	846,434	1,008,021
Adult/Continuing	639,534	651,138	(25,747)	(141,818)
Student Intervention Services	298,954	199,000	196,146	195,317
Other	197,883	143,754	197,883	143,754
Support Services:				
Pupils	1,424,065	1,470,934	1,255,695	1,210,131
Instructional Staff	952,499	1,052,885	614,922	661,383
Board of Education	39,335	39,858	39,335	39,858
Administration	2,228,193	2,164,751	1,978,729	2,006,465
Fiscal	693,930	600,020	663,398	579,023
Business	222,475	330,551	222,475	330,551
Operation and Maintenance of Plant	3,350,511	3,342,895	3,211,625	3,183,809
Pupil Transportation	873,639	880,369	873,639	880,369
Central	321,346	155,350	245,687	74,202
Operation of Non-Instructional Services:				
Food Service Operations	1,512,195	1,472,238	(226,594)	(263,248)
Community Services	106,921	136,747	14,923	10,190
Extracurricular Activities	807,767	812,541	517,298	498,658
Debt Service:				
Interest and Fiscal Charges	519,486	525,697	408,799	406,422
<i>Total Expenses</i>	\$ 36,464,399	\$ 36,530,385	\$ 28,931,787	\$ 28,639,255

The dependence upon general revenues for governmental activities is apparent. Over 79 percent of governmental activities are supported through taxes and other general revenues; such revenues are 79 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Governmental Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$36,153,768 and expenditures of \$36,417,588 for fiscal year 2014. The net change in fund balances for the fiscal year was a decrease of \$263,820 for all governmental funds with the most significant decrease in the general fund.

The general fund's net change in fund balance for fiscal year 2014 was a decrease of \$427,706. Revenues increased by \$1,457,673. The main increase was in intergovernmental revenue, which increased \$1,392,287 due to additional State foundation revenue in fiscal year 2014.

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 2014, the School District did not amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, actual revenue, excluding other financing sources, was \$1,593,385 higher than the final budget basis revenue. The majority of this difference was due to an underestimation of intergovernmental revenue.

Final appropriations of \$29,497,579 (excluding other financing uses) were \$86,296 lower than the actual expenditures of \$29,583,875 (excluding other financing uses).

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$42,303,128 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 2,322,643	\$ 2,322,643
Buildings and Building Improvements	38,205,577	39,589,971
Furniture and Fixtures	1,315,484	1,146,474
Vehicles	419,391	303,907
Textbooks and Library Books	40,033	66,722
<i>Totals</i>	<u>\$ 42,303,128</u>	<u>\$ 43,429,717</u>

The \$1,126,589 decrease in capital assets was attributable to depreciation exceeding additional purchases in the current year. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2014, the School District had \$9,078,788 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2014	2013
Various Serial and Term Bonds	\$ 8,184,000	\$ 8,774,000
Various Capital Appreciation Bonds	894,788	824,226
<i>Total</i>	<u>\$ 9,078,788</u>	<u>\$ 9,598,226</u>

Alliance City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Current Issues

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

Contacting the School District's Financial Management

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

Alliance City School District
Stark County, Ohio
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 8,894,534
Cash and Investments Held with Trustee	618,241
Inventory Held For Resale	10,249
Materials and Supplies Inventory	98,064
Receivables:	
Accounts	45,855
Intergovernmental	1,282,148
Property Taxes	9,988,662
Nondepreciable Capital Assets	2,322,643
Depreciable Capital Assets (Net)	39,980,485
<i>Total Assets</i>	63,240,881
 Deferred Outflows of Resources	
Deferred Charges on Refunding	318,542
 Liabilities	
Accounts Payable	273,737
Accrued Wages and Benefits	3,652,649
Intergovernmental Payable	805,157
Accrued Vacation Leave Payable	109,268
Matured Compensated Absences Payable	35,637
Accrued Interest Payable	31,535
Long Term Liabilities:	
Due Within One Year	1,009,320
Due In More Than One Year	11,146,678
<i>Total Liabilities</i>	17,063,981
 Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	7,472,911
 Net Position	
Net Investment in Capital Assets	36,084,523
Restricted For:	
Capital Outlay	976,744
Debt Service	692,554
Facility Maintenance	1,840,683
Food Service	1,102,988
Other Purposes	716,255
Unrestricted	(2,391,216)
<i>Total Net Position</i>	\$ 39,022,531

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 15,660,423	\$ 788,181	\$ 495,483	\$ 0	\$ (14,376,759)
Special	5,417,498	97,681	1,799,436	0	(3,520,381)
Vocational	1,197,745	687	350,624	0	(846,434)
Adult/Continuing	639,534	569,449	95,832	0	25,747
Student Intervention Services	298,954	0	102,808	0	(196,146)
Other	197,883	0	0	0	(197,883)
Support Services:					
Pupils	1,424,065	0	168,370	0	(1,255,695)
Instructional Staff	952,499	0	337,577	0	(614,922)
Board of Education	39,335	0	0	0	(39,335)
Administration	2,228,193	76,629	172,835	0	(1,978,729)
Fiscal	693,930	24,355	6,177	0	(663,398)
Business	222,475	0	0	0	(222,475)
Operation and Maintenance of Plant	3,350,511	14,926	120,871	3,089	(3,211,625)
Pupil Transportation	873,639	0	0	0	(873,639)
Central	321,346	0	75,659	0	(245,687)
Operation of Non-Instructional Services:					
Food Service Operations	1,512,195	178,573	1,560,216	0	226,594
Community Services	106,921	0	91,998	0	(14,923)
Extracurricular Activities	807,767	265,489	24,980	0	(517,298)
Debt Service:					
Interest and Fiscal Charges	519,486	0	110,687	0	(408,799)
Total	\$ 36,464,399	\$ 2,015,970	\$ 5,513,553	\$ 3,089	(28,931,787)

General Revenues

Property Taxes Levied for:

General Purposes	6,510,467
Debt Service	785,965
Capital Outlay	244,570
Other Purposes	70,863
Grants and Entitlements Not Restricted to Specific Programs	21,046,815
Investment Earnings	32,163
Miscellaneous	116,563
Total General Revenues	28,807,406

Change in Net Position

(124,381)

Net Position Beginning of Year (Restated-See Note 2P)

39,146,912

Net Position End of Year

\$ 39,022,531

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 4,308,232	\$ 4,586,302	\$ 8,894,534
Cash and Investments Held with Trustee	618,241	0	618,241
Inventory Held For Resale	0	10,249	10,249
Materials and Supplies Inventory	75,958	22,106	98,064
Receivables:			
Accounts	22,423	23,432	45,855
Interfund	42,176	0	42,176
Intergovernmental	61,322	1,220,826	1,282,148
Property Taxes	8,524,429	1,464,233	9,988,662
<i>Total Assets</i>	<u>\$ 13,652,781</u>	<u>\$ 7,327,148</u>	<u>\$ 20,979,929</u>
Liabilities			
Accounts Payable	\$ 199,275	\$ 74,462	\$ 273,737
Accrued Wages and Benefits	3,078,409	574,240	3,652,649
Intergovernmental Payable	682,720	122,437	805,157
Matured Compensated Absences Payable	30,108	5,529	35,637
Interfund Payable	0	42,176	42,176
<i>Total Liabilities</i>	<u>3,990,512</u>	<u>818,844</u>	<u>4,809,356</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	6,410,468	1,062,443	7,472,911
Unavailable Revenue	1,918,460	711,411	2,629,871
<i>Total Deferred Inflows of Resources</i>	<u>8,328,928</u>	<u>1,773,854</u>	<u>10,102,782</u>
Fund Balances			
Nonspendable	75,958	22,106	98,064
Restricted	618,241	4,722,051	5,340,292
Committed	321,197	0	321,197
Assigned	123,149	0	123,149
Unassigned	194,796	(9,707)	185,089
<i>Total Fund Balances</i>	<u>1,333,341</u>	<u>4,734,450</u>	<u>6,067,791</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 13,652,781</u>	<u>\$ 7,327,148</u>	<u>\$ 20,979,929</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances		\$ 6,067,791
 <i>Amounts reported for governmental activities in the</i> <i>Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		42,303,128
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 344,515	
Property Taxes	<u>2,285,356</u>	2,629,871
 In the Statement of Activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		 (31,535)
 In the statement of activities, a loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding loss is reported when bonds are issued		 318,542
 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(8,184,000)	
Capital Appreciation Bonds	(196,471)	
Bond Premium	(447,503)	
Accretion of Interest - Capital Appreciation Bonds	(698,317)	
Vacations Payable	(109,268)	
Compensated Absences	<u>(2,629,707)</u>	<u>(12,265,266)</u>
 <i>Net Position of Governmental Activities</i>		 <u>\$ 39,022,531</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 6,259,410	\$ 1,031,654	\$ 7,291,064
Intergovernmental	21,191,312	5,398,499	26,589,811
Investment Income	32,163	7,909	40,072
Tuition and Fees	1,238,353	229,434	1,467,787
Extracurricular Activities	38,562	258,306	296,868
Rentals	12,628	3,876	16,504
Charges for Services	42,998	191,814	234,812
Contributions and Donations	11,799	88,488	100,287
Miscellaneous	87,217	29,346	116,563
<i>Total Revenues</i>	<u>28,914,442</u>	<u>7,239,326</u>	<u>36,153,768</u>
Expenditures			
Current:			
Instruction:			
Regular	14,105,481	583,245	14,688,726
Special	3,588,689	1,818,074	5,406,763
Vocational	1,272,340	96,439	1,368,779
Adult Education	408,641	289,162	697,803
Student Intervention Services	198,087	100,867	298,954
Other	181,573	16,310	197,883
Support Services:			
Pupils	1,240,233	183,256	1,423,489
Instructional Staff	566,201	352,913	919,114
Board of Education	39,335	0	39,335
Administration	1,988,277	243,069	2,231,346
Fiscal	569,924	76,694	646,618
Business	199,160	0	199,160
Operation and Maintenance of Plant	3,121,134	350,020	3,471,154
Pupil Transportation	969,646	12,620	982,266
Central	223,206	157,359	380,565
Extracurricular Activities	512,372	293,595	805,967
Operation of Non-Instructional Services:			
Food Service Operations	0	1,503,312	1,503,312
Community Services	1,874	99,612	101,486
Debt Service:			
Principal Retirement	15,000	588,324	603,324
Interest and Fiscal Charges	140,975	310,569	451,544
<i>Total Expenditures</i>	<u>29,342,148</u>	<u>7,075,440</u>	<u>36,417,588</u>
<i>Net Change in Fund Balance</i>	(427,706)	163,886	(263,820)
<i>Fund Balances Beginning of Year</i>	<u>1,761,047</u>	<u>4,570,564</u>	<u>6,331,611</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,333,341</u>	<u>\$ 4,734,450</u>	<u>\$ 6,067,791</u>

See accompanying notes to the basic financial statements.

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	(263,820)
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 714,180	
Current Year Depreciation	<u>(1,840,769)</u>	(1,126,589)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(153,713)	
Intergovernmental	<u>320,801</u>	167,088
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
General Obligation Bonds	590,000	
Capital Appreciation Bonds	13,324	
Accreted Interest on Capital Appreciation Bonds	<u>61,676</u>	665,000
In the Statement of Activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	1,996	
Amortization of Premium on Bonds	49,342	
Amortization of Refunding Loss	<u>(35,394)</u>	15,944
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	595,127	
Vacations Payable	<u>(31,569)</u>	563,558
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the Statement of Activities.		
		<u>(145,562)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>(124,381)</u></u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 5,931,595	\$ 5,931,595	\$ 6,285,349	\$ 353,754
Intergovernmental	19,869,302	19,869,302	21,054,285	1,184,983
Investment Income	24,977	24,977	26,467	1,490
Tuition and Fees	785,666	785,666	832,522	46,856
Rentals	2,254	2,254	2,388	134
Charges for Services	623	623	25,490	24,867
Contributions and Donations	24,055	24,055	660	(23,395)
Miscellaneous	78,733	78,733	83,429	4,696
<i>Total Revenues</i>	<u>26,717,205</u>	<u>26,717,205</u>	<u>28,310,590</u>	<u>1,593,385</u>
Expenditures				
Current:				
Instruction:				
Regular	14,517,774	14,517,774	14,323,275	194,499
Special	3,771,945	3,771,945	3,728,171	43,774
Vocational	1,321,804	1,321,804	1,264,698	57,106
Student Intervention Services	185,622	185,622	198,087	(12,465)
Other	146,416	146,416	159,244	(12,828)
Support Services:				
Pupils	1,201,461	1,201,461	1,226,111	(24,650)
Instructional Staff	679,436	679,436	570,497	108,939
Board of Education	42,428	42,428	39,303	3,125
Administration	1,977,274	1,977,274	2,073,392	(96,118)
Fiscal	564,545	564,545	559,208	5,337
Business	327,792	327,792	278,573	49,219
Operation and Maintenance of Plant	3,123,525	3,123,525	3,250,657	(127,132)
Pupil Transportation	800,404	800,404	971,769	(171,365)
Central	133,074	133,074	219,725	(86,651)
Extracurricular Activities	481,174	481,174	496,618	(15,444)
Operation of Non-Instructional Services:				
Community Services	0	0	1,874	(1,874)
Capital Outlay	33,814	33,814	35,373	(1,559)
Debt Service:				
Principal Retirement	165,600	165,600	165,600	0
Interest and Fiscal Charges	23,491	23,491	21,700	1,791
<i>Total Expenditures</i>	<u>29,497,579</u>	<u>29,497,579</u>	<u>29,583,875</u>	<u>(86,296)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,780,374)</u>	<u>(2,780,374)</u>	<u>(1,273,285)</u>	<u>1,507,089</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	0	58,230	58,230
Other Financing Uses	(481,670)	(481,670)	0	481,670
<i>Total Other Financing Sources (Uses)</i>	<u>(481,670)</u>	<u>(481,670)</u>	<u>58,230</u>	<u>539,900</u>
<i>Net Change in Fund Balance</i>	(3,262,044)	(3,262,044)	(1,215,055)	2,046,989
<i>Fund Balance Beginning of Year</i>	4,256,325	4,256,325	4,256,325	0
Prior Year Encumbrances Appropriated	479,249	479,249	479,249	0
<i>Fund Balance End of Year</i>	<u>\$ 1,473,530</u>	<u>\$ 1,473,530</u>	<u>\$ 3,520,519</u>	<u>\$ 2,046,989</u>

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 17,815	\$ 224,187
Liabilities		
Accounts Payable	0	\$ 411
Due to Students	0	223,776
<i>Total Liabilities</i>	0	\$ 224,187
Net Position		
Held in Trust for Scholarships	\$ 17,815	

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions	
Investment Earnings	\$ 70
Deductions	
Payments in Accordance with Trust Agreements	1,200
<i>Change in Net Position</i>	(1,130)
<i>Net Position Beginning of Year</i>	18,945
<i>Net Position End of Year</i>	\$ 17,815

See accompanying notes to the basic financial statements.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

The Alliance City School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

B. Fund Accounting

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

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

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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

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

C. Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus and are excluded from the governmental activities. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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

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

Deferred Outflows/Inflows of Resources A deferred inflow of resources is an acquisition of assets by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as a deferred outflow of resources. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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 2014, investments were limited to a money market, mutual funds, certificates of deposit 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 are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$32,163, which includes \$5,757 assigned from other School District funds.

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

G. Inventory

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

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2014, none of the School District's net positions were restricted by enabling legislation. Net position restricted for other purposes include instructional activities and grants.

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

L. Fund Balance

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

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

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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

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

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

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

M. Interfund Activity

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

O. Estimates

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

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Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

P. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in debt issuance costs being expensed rather than being deferred. This had the following effect on net position as previously reported:

	Governmental Activities
Net Position Previously Reported June 30, 2013	\$ 39,295,805
Unamortized Debt Issuance Costs	(148,893)
Restated Net Position at July 1, 2013	\$ 39,146,912

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

NOTE 3 – DEFICIT FUND BALANCES

Deficit fund balances at June 30, 2014 including the following individual fund deficits:

<u>Non-Major Funds</u>		
Public Preschool	\$	1,420
School Improvement Grant		1,571
Title VI-B		1,294
Title VI-B Preschool		1,799
Title II-A		3,274
Title IV		349

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.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	\$ (427,706)
Net Adjustment for Revenue Accruals	(43,248)
Net Adjustment for Expenditure Accruals	(288,090)
Funds Budgeted Elsewhere **	79,191
Adjustment for Encumbrances	<u>(535,202)</u>
Budget Basis	<u>\$ (1,215,055)</u>

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

Alliance City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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;
- 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 and STAR Plus).
- 7) Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days from the purchase date in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

- 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 2014, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

At fiscal year-end, the carrying amount of the School District's deposits was \$7,519,953. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2014, \$2,872,275 of the School District's bank balance of \$7,591,334 was exposed to custodial risk as discussed above, while \$4,719,059 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, 2014, \$618,241. 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.

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Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

Investments

As of June 30, 2014, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 Months or Less</u>
AIM Government & Agency Mutual Funds	\$ 255,580	\$ 255,580
STAROhio	1,361,003	1,361,003
	<u>\$ 1,616,583</u>	<u>\$ 1,616,583</u>

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

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

Credit Risk The AIM Government & Agency mutual funds are unrated. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014, is 51.4 days and carries a rating of AAAM by Standard and Poor's.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
AIM Government & Agency Mutual Funds	\$ 255,580	15.81%
STAROhio	1,361,003	84.19%
	<u>\$ 1,616,583</u>	<u>100.00%</u>

NOTE 6 - PROPERTY TAXES

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

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For the Fiscal Year Ended June 30, 2014
(Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark, Columbiana and Mahoning Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The amount available as an advance at June 30, 2014 was \$195,501 in the general fund, \$20,446 in the bond retirement fund, \$7,343 in the permanent improvement fund and \$7,105 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2013, was \$221,440 in the general fund, \$22,485 in the bond retirement fund, \$8,003 in the permanent improvement fund and \$8,823 in the classroom facilities maintenance fund.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 209,649,120	95%	\$ 208,313,750	94%
Public Utility Personal Property	11,196,430	5%	12,808,760	6%
Total Assessed Value	\$ 220,845,550	100%	\$ 221,122,510	100%
Tax rate per \$1,000 of Assessed Value	\$ 62.10		\$ 62.10	

Alliance City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (tuition and fees), interfund and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 06/30/2013	Additions	Reductions	Balance 06/30/2014
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$ 2,322,643	\$ 0	\$ 0	\$ 2,322,643
<i>Depreciable Capital Assets:</i>				
Buildings and Improvements	56,735,669	51,016	0	56,786,685
Furniture and Equipment	3,066,864	477,164	0	3,544,028
Vehicles	1,267,877	186,000	0	1,453,877
Textbooks and Library Books	1,651,978	0	0	1,651,978
<i>Total Capital Assets, Being Depreciated</i>	62,722,388	714,180	0	63,436,568
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(17,145,698)	(1,435,410)	0	(18,581,108)
Furniture and Equipment	(1,920,390)	(308,154)	0	(2,228,544)
Vehicles	(963,970)	(70,516)	0	(1,034,486)
Textbooks and Library Books	(1,585,256)	(26,689)	0	(1,611,945)
Total Accumulated Depreciation	(21,615,314)	(1,840,769) *	0	(23,456,083)
<i>Total Capital Assets Being Depreciated, Net</i>	41,107,074	(1,126,589)	0	39,980,485
<i>Governmental Activities Capital Assets, Net</i>	\$ 43,429,717	\$ (1,126,589)	\$ 0	\$ 42,303,128

Alliance City School District
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For the Fiscal Year Ended June 30, 2014
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*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$ 1,524,544
Special	10,660
Vocational	31,465
Adult	8,449
Support Services:	
Instructional Staff	32,586
Administration	6,465
Business	22,680
Operation and Maintenance of Plant	91,812
Pupil Transportation	73,356
Central	19,701
Operation of Non-Instructional Services:	
Food Service Operations	12,247
Community Services	5,435
Extracurricular Activities	<u>1,369</u>
Total Depreciation Expense	<u>\$ 1,840,769</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 2014 the School District contracted with The Liberty Mutual Insurance Company for property, general liability, fleet, equipment, boilers, umbrella, and inland marine insurance. The School District carries a \$137,334,572 blanket policy with a \$5,000 deductible on the buildings and personal property. Vehicles have a \$500 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

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

Alliance City School District
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For the Fiscal Year Ended June 30, 2014
(Continued)

B. Workers' Compensation

The School District participates in the Stark County Schools' Council of Government Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$579,107, \$574,652 and \$546,235, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

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For the Fiscal Year Ended June 30, 2014
(Continued)

B. State Teachers Retirement System

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,922,492, \$1,847,690 and \$1,872,099, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$98,180 made by the School District and \$77,141 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board’s liability is 6.2 percent of wages paid.

Alliance City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$68,602, \$66,460, and \$23,656 respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the 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, 2014, 2013, and 2012 were \$33,597, \$32,461, and \$32,258 respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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For the Fiscal Year Ended June 30, 2014
(Continued)

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, 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, 2014, 2013, and 2012 were \$147,884, \$142,130, and \$144,008, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 12 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Administrative and 260-day employees are entitled to vacation ranging from 5 to 25 days.

All non-seasonal and non-part time employees are entitled to a sick leave credit equal to 1¼ days for each month of service. The sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is based on a formula. The formula is 0.6 percent of final contract salary times 65 days times (Accumulated sick days (maximum 120) divided by 120).

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Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2014 were as follows:

	Restated Outstanding 06/30/2013	Additions	Deductions	Outstanding 6/30/2014	Due Within One Year
Governmental Activities					
Limited Tax General Obligation Energy Conservation Improvement Bonds					
\$2,256,000 5.70%	\$ 2,259,000	\$ 0	\$ 0	\$ 2,259,000	\$ 0
Unamortized Premium	34,981	0	(3,156)	31,825	0
2001 School Improvement Bonds - \$1,399,999 3.50-5.30%					
Capital Appreciation Bonds	25,815	0	(13,324)	12,491	12,491
Accretion on Capital Appreciation Bonds	107,170	13,000	(61,676)	58,494	58,494
2007 Classroom Facilities and Site Acquisition Refunding Bonds - \$7,653,980 - 4.00-4.55% Serial and Term Bonds	6,305,000	0	(575,000)	5,730,000	615,000
Capital Appreciation Bonds	183,980	0	0	183,980	0
Accretion on Capital Appreciation Bonds	507,261	132,562	0	639,823	0
Unamortized Premium	461,864	0	(46,186)	415,678	0
2009 Qualified School Construction Bonds \$255,000 1.79%	210,000	0	(15,000)	195,000	15,000
Compensated Absences	3,224,834	77,699	(672,826)	2,629,707	308,335
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 13,319,905</u>	<u>\$ 223,261</u>	<u>\$ (1,387,168)</u>	<u>\$ 12,155,998</u>	<u>\$ 1,009,320</u>

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

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.

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
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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:

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

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

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

The capital appreciation bonds mature December 1, 2012 through December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$225,000. A capital appreciation bond matures December 1, 2014. The total payment due is \$75,000. The amount due in one year reflects \$70,985. The difference is due to not all interest being accreted at June 30, 2014. For fiscal year 2014, the accretion amount was \$13,000.

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, 2014 \$5,985,000 of defeased bonds were outstanding.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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 2014 was \$46,186. 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 deferred outflow of resources - deferred charges on refunding, 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 2014 was \$35,394.

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

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

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

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

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

The capital appreciation bonds will mature December 1, 2017. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,630,000. The fiscal year 2014 accretion amount is \$132,562.

Limited Tax General Obligation Energy Conservation Improvement Bonds

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

The bonds were issued with a premium of \$44,186, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2014 was \$3,156.

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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

Principal and interest requirements to retire general obligation bonds and capital appreciation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/Accretion
2015	\$ 630,000	\$ 358,211	\$ 12,491	\$ 62,509	\$ 642,491	\$ 420,720
2016	745,000	330,042	0	0	745,000	330,042
2017	780,000	299,875	0	0	780,000	299,875
2018	15,000	284,307	99,930	710,070	114,930	994,377
2019	15,000	284,038	84,050	735,950	99,050	1,019,988
2020-2024	3,720,000	966,899	0	0	3,720,000	966,899
2025	2,279,000	64,560	0	0	2,279,000	64,560
Total	\$ 8,184,000	\$ 2,587,932	\$ 196,471	\$ 1,508,529	\$ 8,380,471	\$ 4,096,461

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being place on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Services Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district’s control over budgeting and representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the School District’s continued participation and no equity interest exists. During the year ended June 30, 2014, the School District paid \$74,142 to SPARCC.

NOTE 15 – PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

B. Insurance Purchasing Pool

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

NOTE 16 – CONTINGENCIES AND COMMITMENTS

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

C. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$52,048 in the general fund and \$250,658 in nonmajor governmental funds.

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Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 17 – SET-ASIDES

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

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

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2013	\$ 0
Current Year Set-Aside Requirement	485,857
Current Year Offsets	(232,690)
Prior Year Offsets from Bond Proceeds	(253,167)
 Totals	 \$ 0
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set-Aside Restricted Balance as of June 30, 2014	\$ 0

The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The School District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$6,339,155 at June 30, 2014.

NOTE 18: INTERFUND BALANCES

Interfund balances at June 30, 2014 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 42,176	\$ 0
Other Governmental Funds:		
Carl Perkins Grant	0	2,163
Tittle I	0	25,181
Tittle II-A	0	14,832
 Total	 \$ 42,176	 \$ 42,176

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

Alliance City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 19 – 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
	<u> </u>	<u> </u>	<u> </u>
Nonspendable for:			
Inventory	\$ 75,958	\$ 22,106	\$ 98,064
Restricted for:			
Sinking fund	618,241	0	618,241
Debt Service	0	519,186	519,186
Capital Outlay	0	880,880	880,880
Student Activities	0	113,850	113,850
Facility maintenance	0	1,774,554	1,774,554
Food Service	0	1,165,640	1,165,640
Other Purposes	0	267,941	267,941
Total Restricted	<u>618,241</u>	<u>4,722,051</u>	<u>5,340,292</u>
Committed for:			
District Technology	86,514	0	86,514
Career Tech	86,833	0	86,833
Instructional Materials	147,850	0	147,850
Total Committed	<u>321,197</u>	<u>0</u>	<u>321,197</u>
Assigned for:			
Subsequent Year Appropriations	71,101	0	71,101
Encumbrances:			
Instruction	6,850	0	6,850
Support Services	45,198	0	45,198
Total Assigned	<u>123,149</u>	<u>0</u>	<u>123,149</u>
Unassigned	194,796	(9,707)	185,089
<i>Total Fund Balance</i>	<u>\$ 1,333,341</u>	<u>\$ 4,734,450</u>	<u>\$ 6,067,791</u>

ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$244,534		\$244,534	
National School Lunch Program	10.555	748,978		748,978	
National School Summer Feeding Program	10.559	131,315		131,315	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		100,422		100,422
Total Child Nutrition Cluster					
		<u>1,124,827</u>	<u>100,422</u>	<u>1,124,827</u>	<u>100,422</u>
Total U.S. Department of Agriculture					
		<u>1,124,827</u>	<u>100,422</u>	<u>1,124,827</u>	<u>100,422</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	643,139		653,427	
Special Education Preschool Grants	84.173	12,413		13,559	
Total Special Education Cluster					
		<u>655,552</u>		<u>666,986</u>	
Title I, Grants to Local Educational Agencies	84.010	1,638,768		1,728,044	
Improving Teacher Quality State Grants	84.367	191,959		232,579	
ARRA - Race to the Top Incentive Grants, Recovery Act, Resident Educator Program	84.395	2,799		2,799	
Career & Technical Education Grant	84.048	143,176		147,975	
<i>Direct</i>					
Federal Pell Grant Program	84.063	276,263		276,263	
Federal Direct Student Loans	84.268	409,375		409,375	
Total Student Financial Assistance Cluster					
		<u>685,638</u>		<u>685,638</u>	
Total U.S. Department of Education					
		<u>3,317,892</u>		<u>3,464,021</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio Development Services Agency</i>					
Medical Assistance Program (CAFS)	93.778	155,982		0	
Total U.S. Department of Health and Human Services					
		<u>155,982</u>		<u>0</u>	
Totals					
		<u>\$4,598,701</u>	<u>\$100,422</u>	<u>\$4,588,848</u>	<u>\$100,422</u>

The accompanying notes to this schedule are an integral part of this schedule.

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Alliance City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MEDICAL ASSISTANCE PROGRAM (CAFS)

The District received \$155,852 for the Medical Assistance Program which relates to settlement for CAFS services provided during prior years.



Dave Yost • Auditor of State

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

Alliance City School District
Stark County
200 Glamorgan Street
Alliance, Ohio 44601

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Alliance City School District, Stark County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2015



Dave Yost • Auditor of State

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

Alliance City School District
Stark County
200 Glamorgan Street
Alliance, Ohio 44601

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Alliance City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Alliance City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Alliance City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2015

**ALLIANCE CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA #10.553, #10.555 and #10.559, Special Education Cluster CFDA #84.027 and #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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

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Dave Yost • Auditor of State

ALLIANCE CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 24, 2015**