



Dave Yost • Auditor of State



**SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Sebring Local School District  
Mahoning County  
510 North 14<sup>th</sup> Street  
Sebring, Ohio 44672

To the Board of Education:

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

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

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

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which resulted in reclassifications to its governmental fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

December 1, 2011

**Sebring Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities decreased \$277,769 which represents a 2.6 percent decrease from fiscal year 2010.
- General revenues accounted for \$6,118,560 in revenue or 79.3 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,596,449 or 20.7 percent of total revenues of \$7,715,009.
- The District had \$7,992,778 in expenses related to governmental activities; only \$1,596,449 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,118,560 were not adequate to provide for these programs, as evidenced by the \$277,769 decrease in net assets.
- The District's major governmental funds are the general fund and the bond retirement debt service fund. The general fund balance decreased \$108,736, or approximately 33.6 percent during fiscal year 2011. The bond retirement debt service fund balance increased \$59,884 or 18.5 percent.

**Using these Basic Financial Statements**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund and the bond retirement debt service fund are the most significant funds of the School District, and are the only governmental funds reported as a major.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies.

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This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District has only one kind of activity:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund and the bond retirement debt service fund.

***Governmental Funds***

Most of the 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 financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

***Reporting the District's Fiduciary Responsibilities***

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The School District's fiduciary funds are a private purpose trust fund and an agency fund.



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Mahoning County, Ohio

*Management's Discussion and Analysis*  
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**The District as a Whole**

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

The table below provides a summary of the District's net assets for fiscal year 2011 and 2010.

	<b>Net Assets</b>		
	Governmental Activities 2011	Governmental Activities 2010	Increase (Decrease)
	<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>
<b><u>Assets</u></b>			
Current and other assets	\$3,445,863	\$3,431,859	\$14,004
Capital assets, net	<u>10,519,250</u>	<u>11,023,123</u>	<u>(503,873)</u>
Total assets	<u>13,965,113</u>	<u>14,454,982</u>	<u>(489,869)</u>
<b><u>Liabilities</u></b>			
Current liabilities	2,083,800	2,162,891	(79,091)
Long-term liabilities	<u>1,409,267</u>	<u>1,542,276</u>	<u>(133,009)</u>
Total liabilities	<u>3,493,067</u>	<u>3,705,167</u>	<u>(212,100)</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	9,513,688	9,919,627	(405,939)
Restricted	813,890	667,206	146,684
Unrestricted	<u>144,468</u>	<u>162,982</u>	<u>(18,514)</u>
Total net assets	<u>\$10,472,046</u>	<u>\$10,749,815</u>	<u>(\$277,769)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$10,472,046. The decrease in net assets of \$277,769 is due mostly to a decrease in capital assets as a result of annual depreciation being taken on the capital assets.

At year-end, capital assets represented 75.3 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$9,513,688. These capital assets are used to provide services to the students and are not available for future spending. Although the 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 District's net assets, \$813,890, represents resources that are subject to external restrictions on how they may be used.

**Sebring Local School District**

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The table below shows the change in net assets for fiscal year 2011 and 2010.

**Table 2**  
Change in Net Assets  
Governmental Activities

	2011	2010	Increase (Decrease)
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$487,810	\$547,903	(\$60,093)
Operating Grants and Contributions	1,105,639	1,061,928	43,711
Capital Grants and Contributions	3,000	15,970	(12,970)
<i>Total Program Revenues</i>	<u>1,596,449</u>	<u>1,625,801</u>	<u>(29,352)</u>
<b>General Revenues</b>			
Property Taxes	1,329,924	1,317,518	12,406
Income Tax	449,968	424,640	25,328
Intergovernmental	4,298,423	4,351,855	(53,432)
Investment Earnings	1,813	8,811	(6,998)
Miscellaneous	38,432	24,308	14,124
<i>Total General Revenues</i>	<u>6,118,560</u>	<u>6,127,132</u>	<u>(8,572)</u>
<i>Total Revenues</i>	<u>7,715,009</u>	<u>7,752,933</u>	<u>(37,924)</u>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	3,168,687	3,130,277	38,410
Special	1,769,191	2,064,006	(294,815)
Vocational	6,576	0	6,576
Support Services:			
Pupils	199,762	193,884	5,878
Instructional Staff	301,127	129,897	171,230
Board of Education	12,509	18,002	(5,493)
Administration	748,369	696,277	52,092
Fiscal	273,573	268,169	5,404
Operation and Maintenance of Plant	790,624	724,700	65,924
Pupil Transportation	149,299	153,705	(4,406)
Central	837	4,200	(3,363)
Operation of Food Services	273,381	286,208	(12,827)
Extracurricular Activities	254,456	278,643	(24,187)
Interest and Fiscal Charges	44,387	73,651	(29,264)
<i>Total Program Expenses</i>	<u>7,992,778</u>	<u>8,021,619</u>	<u>(28,841)</u>
<i>Change in Net Assets</i>	<u>(277,769)</u>	<u>(268,686)</u>	<u>(9,083)</u>
Net Assets Beginning of Year	<u>10,749,815</u>	<u>11,018,501</u>	<u>(268,686)</u>
<i>Net Assets End of Year</i>	<u>\$10,472,046</u>	<u>\$10,749,815</u>	<u>(\$277,769)</u>

**Sebring Local School District**  
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**Governmental Activities**

Net assets of the District's governmental activities decreased \$277,769. This decrease is due mostly to a decrease in capital assets. Total governmental expenses of \$7,992,778 were offset by program revenues of \$1,596,449 and general revenues of \$6,118,560. Program revenues supported 20.0 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 73.0 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$4,944,454 or 61.9 percent of total governmental expenses. Support service expenses totaled \$2,476,100, or 31.0 percent of total governmental expenses for fiscal year 2011.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

**Governmental Activities**

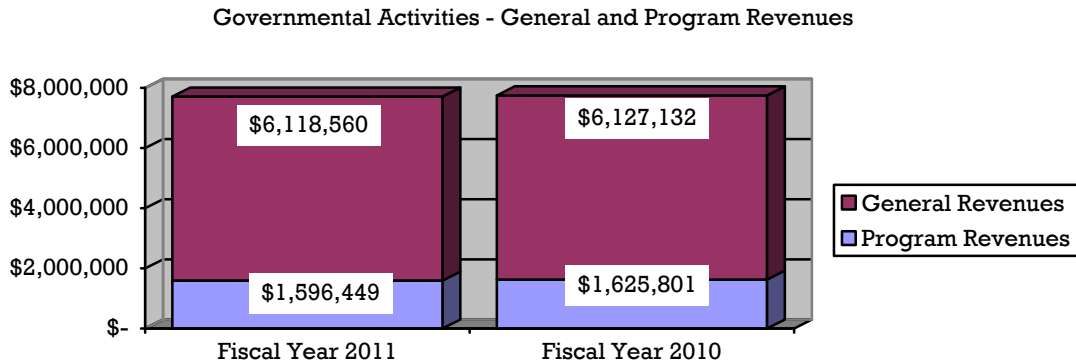
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$3,168,687	\$2,941,709	\$3,130,277	\$2,821,588
Special	1,769,191	1,370,312	2,064,006	1,401,870
Vocational	6,576	6,229	0	0
Support services:				
Pupils	199,762	135,065	193,884	159,571
Instructional staff	301,127	(22,472)	129,897	61,517
Board of education	12,509	11,848	18,002	18,002
Administration	748,369	695,936	696,277	680,291
Fiscal	273,573	259,241	268,169	268,169
Operation and maintenance of plant	790,624	628,249	724,700	528,452
Pupil transportation	149,299	142,495	153,705	152,598
Central	837	793	4,200	4,200
Extracurricular activities	254,456	181,363	278,643	211,454
Operation of food services	273,381	1,174	286,208	14,455
Interest and fiscal charges	44,387	44,387	73,651	73,651
<b>Total expenses</b>	<b>\$7,992,778</b>	<b>\$6,396,329</b>	<b>\$8,021,619</b>	<b>\$6,395,818</b>

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The dependence upon unrestricted grants and entitlements and general tax revenues for governmental activities is apparent. Over 70 percent of governmental expenses are supported through unrestricted grants and entitlements and property taxes alone. With the passage of the new income tax, the community, as a whole, is by far the primary support for Sebring Local School District students.

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$801,813, a decrease of \$85,429 from the previous fiscal year. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	(Restated) Fund Balance June 30, 2010	Increase (Decrease)
General	\$214,403	\$323,139	(\$108,736)
Bond Retirement	383,946	324,062	59,884
Other Governmental	203,464	240,041	(36,577)
<b>Total</b>	<b>\$801,813</b>	<b>\$887,242</b>	<b>(\$85,429)</b>

**General Fund**

During fiscal year 2011, the District's general fund balance decreased by \$108,736. The primary reason for this decrease is due to a slight decrease in revenues from the prior fiscal year coupled with an increase in expenditures, most notably the support services line items. This resulted in an overall decrease in cash and cash equivalents on hand. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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	2011 Amount	2010 Amount	Percentage Change
<b><u>Revenues</u></b>			
Taxes (Property and Income)	\$1,490,896	\$1,443,198	3.3 %
Tuition and fees	309,545	369,672	(16.3) %
Earnings on investments	1,813	8,811	(79.4) %
Intergovernmental	4,229,957	4,276,688	(1.1) %
Other revenues	53,612	16,922	216.8 %
<b>Total</b>	<b>6,085,823</b>	<b>6,115,291</b>	<b>(0.5) %</b>
<b><u>Expenditures</u></b>			
Instruction	3,989,024	4,062,085	(1.8) %
Support services	1,965,390	1,769,046	11.1 %
Extracurricular activities	167,172	183,204	(8.8) %
Capital outlay	72,973	0	n/a %
<b>Total</b>	<b>\$6,194,559</b>	<b>\$6,014,335</b>	<b>3.0 %</b>

***Debt Service Fund***

The debt service fund had \$193,378 in revenues and \$133,494 in expenditures, resulting in an increase of fund balance of \$59,884 or nearly 19 percent from the previous fiscal year.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, the final budgeted revenues were \$6,058,312, which was less than the original budgeted revenues estimate of \$6,275,452. The original budgeted revenue amount was based on a conservative worst case scenario approach, which was adjusted in the final revenue estimate. Actual revenues for fiscal year 2011 were \$6,081,325, or \$23,013 higher than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$6,267,708 were increased to \$6,390,755 in the final appropriation. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$6,319,481, which was \$71,274 less than the final budget appropriations. The original and final appropriations were based on conservative estimates at the beginning of the fiscal year based upon anticipated expenditures.

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of fiscal 2011, the District had \$10,519,250 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. This entire amount is reported in governmental activities.

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The following table shows fiscal year 2011 balances compared to 2010:

**Capital Assets at June 30**  
**(Net of Depreciation)**

Governmental Activities		2011	2010	Increase (Decrease)
Land	\$219,600	\$219,600	\$0	
Land improvements	393,094	445,751	(52,657)	
Building and improvements	9,715,667	10,197,043	(481,376)	
Furniture, fixtures and equipment	24,721	67,304	(42,583)	
Vehicles	166,168	93,425	72,743	
<b>Total</b>	<b><u>\$10,519,250</u></b>	<b><u>\$11,023,123</u></b>	<b><u>(\$503,873)</u></b>	

Total additions to capital assets for fiscal year 2011 were \$133,442 and there were no disposals. The overall decrease in capital assets of \$503,873 is due to annual depreciation of \$637,315 exceeding current year additions.

See Note 10 to the basic financial statements for additional information on the District's capital assets.

**Debt Administration**

In fiscal year 2010, the District advance refunded all but \$140,000 of the 1999 Classroom Facilities Improvement Bonds. The refunding Bonds were issued in the amount of \$999,999, and included a premium of \$113,565. The advance refunding resulted in a net present value benefit of \$237,132 and \$304,685 in cash flow savings for the District.

The refunding Bonds will be repaid over 12 years with principal payment beginning in fiscal year 2011. The District made its scheduled principal payment on the old bonds of \$70,000 and \$25,000 on the new bonds during the fiscal year.

See Note 17 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The most significant challenge for the District is to continue providing services with a budget that is shrinking due to decreases in funding from an eroding tax base. The District has to deal with the rising costs of goods and services due to inflation and also the reductions of revenue generated from a shrinking tax base. In addition, the potential growth in personal property taxes has been eliminated by House Bill 66 as further described below. The District's fiscal health depends on an efficient budgeting process and the utilization of programs that reduce costs, such as consortiums, and diligent cost analysis.

The District is faced with a very challenging financial scenario in an eroding tax environment. The overall tax valuation has decreased from \$48,817,739 in 2008 to \$48,295,240 in 2010. One mil of tax valuation is generating less and less revenue for the District. Although House Bill 66 is reimbursing the District on the loss of Personal Property Tax Revenue, the potential growth in this tax revenue is still reduced since the reimbursements are based on the 2004 base tax year. House Bill 66 greatly reduces

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and eliminates the potential growth in Personal Property Taxes during the phase out years. By 2018, the annual revenue stream from personal property taxes will be eliminated from the revenue sources of the District. The State of Ohio has yet to declare that the new Commercial Activity Tax will be allocated to school districts. Presently, the CAT tax is funding the hold-harmless reimbursement payments for HB66. As a result, the District can not count on the CAT tax as a future revenue source.

The future of State Funding may greatly affect the financial horizon of the District. The State of Ohio was found by the Ohio Supreme Court to be operating an unconstitutional education system in regards to the funding formula. Currently an initiative is actively seeking a restructuring of the State Funding formula. However, the future is uncertain and there may be a risk of a redistribution of tax revenues for school districts in Ohio. This would be catastrophic to the District since tax revenues are a primary source of revenue.

The District receives approximately 70 percent of its revenue from the State of Ohio and is therefore at the State's mercy regarding funding. State revenues have kept pace with inflation to date, but the future of State revenue increases is uncertain, to say the least.

The District passed a 1 percent income tax levy on the November 2006 ballot to help stabilize its financial condition, however, income tax collections decreased during the current fiscal year due to an overall economic downturn. Looking forward, this passage should only help the District's overall financial position.

The District has worked diligently the last few years to cut costs and reduce expenditures. These measures have reduced expenditures approximately \$550,000 annually, however, our current five year forecast continues to show deficit balances in the upcoming fiscal years, reinforcing that our District is not without its challenges.

### **Contacting the District's Financial Management**

This financial report is designed to provide our administration, Board of Education, community, taxpayers, creditors and investors with a general overview of the District's finances and to show the District's accountability for revenue and expenditures. If you have questions about this report or need additional financial information contact Mr. Harry A. Hill, Sebring Local School District, 510 North 4<sup>th</sup> Street, Sebring, Ohio, 44672-1400.

# Sebring Local School District

Mahoning County, Ohio

## Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,323,602
Accrued Interest Receivable	105
Intergovernmental Receivable	237,717
Income Taxes Receivable	188,088
Property Taxes Receivable	1,671,081
Inventory Held for Resale	3,206
Materials and Supplies Inventory	693
Prepaid Items	21,371
Nondepreciable Capital Assets	219,600
Depreciable Capital Assets, Net	10,299,650
<i>Total Assets</i>	<u>13,965,113</u>
<b>Liabilities</b>	
Accounts Payable	24,123
Accrued Wages and Benefits Payable	498,502
Intergovernmental Payable	225,681
Deferred Revenue	1,332,894
Accrued Interest Payable	2,600
Long-Term Liabilities:	
Due Within One Year	145,479
Due In More Than One Year	1,263,788
<i>Total Liabilities</i>	<u>3,493,067</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	9,513,688
Restricted for:	
Capital Projects	179,420
Debt Service	401,750
Classroom Facilities Maintenance	57,359
Other Purposes	151,354
Set-asides	24,007
Unrestricted	144,468
<i>Total Net Assets</i>	<u>\$10,472,046</u>

See accompanying notes to the basic financial statements



**Sebring Local School District**

Mahoning County, Ohio

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2011*

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$3,168,687	\$131,814	\$95,164	\$0	(\$2,941,709)
Special	1,769,191	76,227	322,652	0	(1,370,312)
Vocational	6,576	347	0	0	(6,229)
Support Services:					
Pupils	199,762	8,946	55,751	0	(135,065)
Instructional Staff	301,127	4,032	319,567	0	22,472
Board of Education	12,509	661	0	0	(11,848)
Administration	748,369	38,426	14,007	0	(695,936)
Fiscal	273,573	14,332	0	0	(259,241)
Operation and Maintenance of Plant	790,624	30,008	129,367	3,000	(628,249)
Pupil Transportation	149,299	6,804	0	0	(142,495)
Central	837	44	0	0	(793)
Operation of Food Services	273,381	104,092	168,115	0	(1,174)
Extracurricular Activities	254,456	72,077	1,016	0	(181,363)
Interest and Fiscal Charges	44,387	0	0	0	(44,387)
<i>Total Governmental Activities</i>	<u>\$7,992,778</u>	<u>\$487,810</u>	<u>\$1,105,639</u>	<u>\$3,000</u>	<u>(6,396,329)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	1,064,309
Debt Service	169,161
Capital Outlay	79,423
Other Purposes	17,031
Income Taxes Levied for General Purposes	449,968
Grants and Entitlements not Restricted to Specific Programs	4,298,423
Investment Earnings	1,813
Miscellaneous	38,432

*Total General Revenues* 6,118,560

Change in Net Assets (277,769)

*Net Assets Beginning of Year* 10,749,815

*Net Assets End of Year* \$10,472,046

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$634,387	\$383,946	\$281,262	\$1,299,595
Accrued Interest Receivable	105	0	0	105
Interfund Receivable	4,129	0	0	4,129
Intergovernmental Receivable	5,390	0	232,327	237,717
Income Taxes Receivable	188,088	0	0	188,088
Property Taxes Receivable	1,348,761	203,344	118,976	1,671,081
Inventory Held for Resale	0	0	3,206	3,206
Materials and Supplies Inventory	0	0	693	693
Prepaid Items	21,371	0	0	21,371
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,007	0	0	24,007
<i>Total Assets</i>	<u>\$2,226,238</u>	<u>\$587,290</u>	<u>\$636,464</u>	<u>\$3,449,992</u>
<b>Liabilities</b>				
Accounts Payable	\$22,917	\$0	\$1,206	\$24,123
Accrued Wages and Benefits Payable	423,931	0	74,571	498,502
Intergovernmental Payable	188,360	0	37,321	225,681
Interfund Payable	0	0	4,129	4,129
Deferred Revenue	1,376,627	203,344	315,773	1,895,744
<i>Total Liabilities</i>	<u>2,011,835</u>	<u>203,344</u>	<u>433,000</u>	<u>2,648,179</u>
<b>Fund Balances</b>				
Nonspendable	21,371	0	3,899	25,270
Restricted	0	383,946	216,192	600,138
Committed	24,007	0	46,075	70,082
Assigned	9,199	0	0	9,199
Unassigned (Deficit)	159,826	0	(62,702)	97,124
<i>Total Fund Balances</i>	<u>214,403</u>	<u>383,946</u>	<u>203,464</u>	<u>801,813</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,226,238</u>	<u>\$587,290</u>	<u>\$636,464</u>	<u>\$3,449,992</u>

See accompanying notes to the basic financial statements

**Sebring Local School District**

Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2011*

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<b>Total Governmental Fund Balances</b>		\$801,813
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,519,250
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Property Taxes	338,187	
Income Taxes	27,866	
Intergovernmental	196,797	
Total		562,850
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(2,600)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Refunding Bonds	(925,000)	
Capital Appreciation Bonds	(49,999)	
Accretion on Capital Appreciation Bonds	(13,199)	
Deferred Amount on Advanced Refunding	71,564	
Unamortized Bond Issuance Premium	(102,127)	
Compensated Absences	(390,506)	
Total		(1,409,267)
<b><i>Net Assets of Governmental Activities</i></b>		<b><u><u>\$10,472,046</u></u></b>

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,041,492	\$165,258	\$94,303	\$1,301,053
Income Taxes	449,404	0	0	449,404
Tuition and Fees	309,545	0	0	309,545
Interest	1,813	0	0	1,813
Charges for Services	0	0	104,092	104,092
Extracurricular Activities	10,927	0	63,246	74,173
Contributions and Donations	5,732	0	4,016	9,748
Intergovernmental	4,229,957	28,120	991,127	5,249,204
Miscellaneous	36,953	0	1,479	38,432
<i>Total Revenues</i>	<u>6,085,823</u>	<u>193,378</u>	<u>1,258,263</u>	<u>7,537,464</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,541,769	0	103,393	2,645,162
Special	1,440,679	0	321,018	1,761,697
Vocational	6,576	0	0	6,576
Support Services:				
Pupils	167,436	0	30,033	197,469
Instructional Staff	74,056	0	220,346	294,402
Board of Education	12,509	0	0	12,509
Administration	738,546	0	10,634	749,180
Fiscal	283,915	1,422	839	286,176
Operation and Maintenance of Plant	554,677	0	214,595	769,272
Pupil Transportation	133,414	0	1,000	134,414
Central	837	0	0	837
Operation of Food Services	0	0	258,933	258,933
Extracurricular Activities	167,172	0	73,580	240,752
Capital Outlay	72,973	0	60,469	133,442
Debt Service:				
Principal Retirement	0	95,000	0	95,000
Interest and Fiscal Charges	0	37,072	0	37,072
<i>Total Expenditures</i>	<u>6,194,559</u>	<u>133,494</u>	<u>1,294,840</u>	<u>7,622,893</u>
<i>Net Change in Fund Balances</i>	(108,736)	59,884	(36,577)	(85,429)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	323,139	324,062	240,041	887,242
<i>Fund Balances End of Year</i>	<u>\$214,403</u>	<u>\$383,946</u>	<u>\$203,464</u>	<u>\$801,813</u>

See accompanying notes to the basic financial statements

**Sebring Local School District**

Mahoning 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, 2011*

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**Net Change in Fund Balances - Total Governmental Funds** (\$85,429)

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

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

Capital Outlay	133,442
Current Year Depreciation	<u>(637,315)</u>

Total (503,873)

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

Property Taxes	28,871
Income Taxes	564
Intergovernmental	<u>148,110</u>

Total 177,545

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

95,000

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.

Accrued Interest on Bonds	979
Accretion on Capital Appreciation Bonds	(11,228)
Amortization of Premium	9,804
Amortization of Deferred Amount on Refunding	<u>(6,870)</u>

Total (7,315)

Some expenses reported in the statement of activities, such as  
compensated absences and early retirement incentives, do not  
require the use of current financial resources and therefore are not  
reported as expenditures in the governmental funds.

Compensated Absences	<u>46,303</u>
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*Change in Net Assets of Governmental Activities* (\$277,769)

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning 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, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,034,454	\$1,090,781	\$1,041,492	(\$49,289)
Income Taxes	400,000	400,000	449,289	49,289
Tuition and Fees	411,150	311,150	309,545	(1,605)
Interest	18,000	18,000	1,922	(16,078)
Extracurricular Activities	8,600	8,600	10,927	2,327
Rentals	600	600	0	(600)
Contributions and Donations	3,000	3,000	5,732	2,732
Intergovernmental	4,379,780	4,206,313	4,224,567	18,254
Miscellaneous	19,868	19,868	37,851	17,983
<i>Total Revenues</i>	<u>6,275,452</u>	<u>6,058,312</u>	<u>6,081,325</u>	<u>23,013</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,585,820	2,659,872	2,595,463	64,409
Special	1,568,781	1,591,797	1,464,032	127,765
Vocational	0	7,000	6,556	444
<b>Support Services:</b>				
Pupils	170,542	174,679	170,030	4,649
Instructional Staff	131,573	131,541	66,741	64,800
Board of Education	15,240	15,240	13,942	1,298
Administration	711,193	740,390	748,311	(7,921)
Fiscal	256,726	256,631	303,978	(47,347)
Operation and Maintenance of Plant	506,010	505,819	577,105	(71,286)
Pupil Transportation	134,945	134,908	209,721	(74,813)
Central	2,500	2,500	837	1,663
Extracurricular Activities	169,378	169,378	162,765	6,613
<i>Total Expenditures</i>	<u>6,252,708</u>	<u>6,389,755</u>	<u>6,319,481</u>	<u>70,274</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	22,744	(331,443)	(238,156)	93,287
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(15,000)	(1,000)	0	1,000
<i>Net Change in Fund Balance</i>	7,744	(332,443)	(238,156)	94,287
<i>Fund Balance Beginning of Year</i>	822,552	822,552	822,552	0
Prior Year Encumbrances Appropriated	32,461	32,461	32,461	0
<i>Fund Balance End of Year</i>	<u>\$862,757</u>	<u>\$522,570</u>	<u>\$616,857</u>	<u>\$94,287</u>

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

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	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$3,971</u>	<u>\$12,735</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$12,735</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$3,971</u>	

See accompanying notes to the basic financial statements

**Sebring Local School District**  
Mahoning County, Ohio

*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2011*

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	<u>Scholarship</u>
<b>Additions</b>	
Contributions and Donations	\$3,600
<b>Deductions</b>	
Scholarships Awarded	<u>11,600</u>
<i>Change in Net Assets</i>	(8,000)
<i>Net Assets Beginning of Year</i>	<u>11,971</u>
<i>Net Assets End of Year</i>	<u><u>\$3,971</u></u>

See accompanying notes to the basic financial statements



**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five member Board form of government. Each member is elected to staggered four year terms. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's two instructional support facilities staffed by 40 non-certificated and 50 certified teaching personnel and 6 administrators who provide services to students and other community members.

The School District is located in Sebring Ohio, Mahoning County. The enrollment for the School District during the 2011 fiscal year was approximately 629 students. The School District operates one elementary school (K-6) and one high school (7-12).

***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Sebring Local School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The School District participates in two jointly governed organizations and two public entity risk pools. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments, the Mahoning County Career and Technical Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Portage Area School Consortium. These organizations are presented in Notes 19 and 20 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal 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 limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each 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. There are three categories of funds: governmental, proprietary and fiduciary.

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

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

**Bond Retirement Fund** The bond retirement fund accounts for property tax revenues that are restricted for payment of principal, interest and fiscal charges on general obligation debt.

**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no proprietary funds.

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

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue 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 values, 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 fiscal year-end.

**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are 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 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 nonexchange 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, interest, tuition, grants, fees and rentals.

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

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***E. Budgetary Data***

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 sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at the legal level of budgetary control may only be made by resolution of the Board of Education.

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 and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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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 fiscal year.

***F. Cash and Cash Equivalents***

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 cash equivalents" on the financial statements.

During fiscal year 2011, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$1,813, which includes \$850 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 cash equivalents.

***G. Prepaid Items***

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

***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

***I. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for budget stabilization and the purchase of textbooks. See Note 18 for additional information regarding set asides.

**Sebring Local School District**

Mahoning County, Ohio

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For the Fiscal Year Ended June 30, 2011*

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. 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:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years
Library Books	5 years

**K. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

**L. Accrued Liabilities and Long-term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension

**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$813,890, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

***N. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 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 the District Board of Education.

**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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 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.

**O. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**P. 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.

**Q. Deferred Amount (Loss) on Refunding**

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented net of the refunding general obligation bonds payable on the statement of net assets.

**R. Bond Premiums**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are reported in the year the bonds are issued.

**S. Extraordinary and Special Items**

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



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*For the Fiscal Year Ended June 30, 2011*

**T. Estimates**

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

**Note 3 – Change in Accounting Principle and Restatement of Fund Balance**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and GASB Statement No. 59 “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District’s financial statements.

GASB Statement No. 59 improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice, by improving the consistency of measurements and by providing clarification of existing standards. The implementation of GASB Statement No. 59 did not have any affect on the District’s financial statements.

**B. Restatement of Prior Year Fund Balance**

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$316,715	\$324,062	\$246,465	\$887,242
Change in Fund Structure (GASB 54)	6,424	0	(6,424)	0
Adjusted Fund Balance at June 30, 2010	<u>\$323,139</u>	<u>\$324,062</u>	<u>\$240,041</u>	<u>\$887,242</u>

**Note 4 – Accountability and Compliance**

**A. Accountability**

Fund balances at June 30, 2011 included individual fund deficits in the Food Service, Education Jobs, IDEA Part B, Title I and Improving Teacher Quality special revenue funds in the amounts of \$30,050, \$7,001, \$12,664, \$4,561 and \$4,527, respectively. These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**B. Compliance**

The Food Service special revenue fund, Race to the Top Grant special revenue fund and the Improving Teacher Quality special revenue fund had negative cash balances of \$2,395, \$569 and \$1,165, respectively, at June 30, 2011, indicating that revenues from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10. Management has indicated that all cash balances will be closely monitored to ensure no future violations.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP basis).

Net Change in Fund Balance	
GAAP Basis	(\$108,736)
Net Adjustment for Revenue Accruals	(4,498)
Net Adjustment for Expenditure Accruals	(79,256)
Adjustment for Encumbrances	(45,666)
Budget Basis	<u>(\$238,156)</u>

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active 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 that the Board of Education has identified as not required for use within the current five 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.

## **Sebring Local School District**

Mahoning County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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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 held by the School District can 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 payment of 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, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the exception 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

### **A - Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,242,454 of the District's bank balance of \$1,494,876 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all School District deposits was \$1,340,308 at fiscal year end.

**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
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The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**B - Investments**

As of June 30, 2011, the School District had no investments.

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The School District had no investments at June 30, 2011.

**C - Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$1,340,308
Investments	0
Total	<u>\$1,340,308</u>
<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$1,323,602
Private-purpose trust funds	3,971
Agency funds	12,735
Total	<u>\$1,340,308</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

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

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

The School District receives property taxes from Mahoning County. 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the School District at June 30, 2011 and June 30, 2010.

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

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

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,687,050	96.80 %	\$46,738,470	96.73 %
Public Utility Personal	1,509,690	3.13	1,581,450	3.27
Tangible Personal Property	33,415	0.07	0	0.00
<b>Total</b>	<b>\$48,230,155</b>	<b>100.00 %</b>	<b>\$48,319,920</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$59.30		\$59.30	

**Sebring Local School District**  
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**Note 8 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<b><i>Nonspendable</i></b>				
Prepays	\$21,371	\$0	\$0	\$21,371
Inventory	0	0	3,899	3,899
<i>Total Nonspendable</i>	<u>21,371</u>	<u>0</u>	<u>3,899</u>	<u>25,270</u>
<b><i>Restricted for</i></b>				
Classroom Maintenance	0	0	53,732	53,732
Student Achievement	0	0	1,782	1,782
Debt Service Payments	0	383,946	0	383,946
Capital Improvements	0	0	160,678	160,678
<i>Total Restricted</i>	<u>0</u>	<u>383,946</u>	<u>216,192</u>	<u>600,138</u>
<b><i>Committed to</i></b>				
After School Programs	0	0	46,075	46,075
Budget Stabilization	24,007	0	0	24,007
<i>Total Committed</i>	<u>24,007</u>	<u>0</u>	<u>46,075</u>	<u>70,082</u>
<b><i>Assigned to</i></b>				
Other Purposes	9,199	0	0	9,199
<b><i>Unassigned (Deficit)</i></b>	<u>159,826</u>	<u>0</u>	<u>(62,702)</u>	<u>97,124</u>
<i>Total Fund Balances</i>	<u>\$214,403</u>	<u>\$383,946</u>	<u>\$203,464</u>	<u>\$801,813</u>

**Note 9 - Receivables**

Receivables at June 30, 2011 consisted of property taxes, income taxes, intergovernmental grants and entitlements, accounts receivable and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

<b><u>Governmental Activities:</u></b>	
Property Taxes	\$1,671,081
Income Taxes	188,088
Intergovernmental	237,717
Accrued Interest	105
Total	<u>\$2,096,991</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**Sebring Local School District**  
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**Note 10 - Capital Assets**

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

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$219,600	\$0	\$0	\$219,600
Capital assets being depreciated				
Land Improvements	1,111,513	0	0	1,111,513
Buildings and improvements	16,278,949	0	0	16,278,949
Furniture, fixtures and equipment	881,385	35,643	0	917,028
Library Books	168,009	0	0	168,009
Vehicles	277,463	97,799	0	375,262
Total capital assets being depreciated	18,717,319	133,442	0	18,850,761
Accumulated depreciation				
Land Improvements	(665,762)	(52,657)	0	(718,419)
Buildings and improvements	(6,081,906)	(481,376)	0	(6,563,282)
Furniture, fixtures and equipment	(814,081)	(78,226)	0	(892,307)
Library Books	(168,009)	0	0	(168,009)
Vehicles	(184,038)	(25,056)	0	(209,094)
Total accumulated depreciation	(7,913,796)	(637,315) *	0	(8,551,111)
Capital assets being depreciated, net	10,803,523	(503,873)	0	10,299,650
Governmental activities capital assets, net	\$11,023,123	(\$503,873)	\$0	\$10,519,250

\* Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$568,216
Special	157
<b>Support Services:</b>	
Pupils	376
Instructional Staff	4,446
Administration	10,319
Operation and Maintenance of Plant	7,972
Pupil Transportation	19,497
Operation of Food Services	12,628
Extracurricular	13,704
Total Depreciation Expense	<u>\$637,315</u>

**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 11 – School District Income Tax**

The voters of the District passed a 1 percent, five year, school district income tax in the November 2006 election that became effective January 1, 2007. School district income tax revenue received by the General Fund during fiscal year 2011 was \$449,404.

**Note 12 - Interfund Activity**

***A – Interfund Transfers***

During fiscal year 2011 the School District did not make any interfund transfers.

***B - Interfund Receivable/Payable***

At June 30, 2011 interfund receivables/payables existed between the general fund and the Food Service special revenue fund, the Race to the Top Grant special revenue fund and the Improving Teacher Quality special revenue fund in the amounts of \$2,395, \$569 and \$1,165, respectively. The purpose of these interfund balances was to cover negative cash balances in these funds at June 30th.

**Note 13 - Risk Management**

***A. Comprehensive***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Building and Contents - Replacement Cost (\$5,000 deductible)	\$25,382,810
Boiler and Machinery (\$500 deductible)	14,145,000
Inland Marine Coverage (\$100 deductible)	62,500
General Liability:	
in aggregate	2,000,000
Per occurrence	1,000,000
Fleet Insurance:	
Uninsured motorists	1,000,000
Comprehensive (deductibles; \$1,000 bus / \$250 other)	1,000,000
Collision (deductibles; \$1,000 bus / \$500 other)	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the previous year.



**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
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***B. Employee Group Health, Disability and Life Insurance***

Effective July 1, 2005, the School District began participating in the Portage County School Consortium (the "Consortium"), which is a cooperative entity among 14 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverage's and employee benefits. In previous years, the District was self-insured. The Health and Welfare Trust is organized under the provisions of Section 501(c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the Consortium. The insurance agreement with the Consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the District does not participate in the day to day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provided insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet claims.

***C. Workers' Compensation Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 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 Gates, McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 14 - Pension Plans**

**A - School Employees Retirement System**

Plan Description - The 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746

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Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$108,284, \$105,452, and \$75,318, respectively; 20.9 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B - State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

**Plan Options** - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011,

**Sebring Local School District**  
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2010, and 2009, were \$403,276, \$386,441, and \$390,690, respectively; 77.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$7,415 made by the District and \$5,297 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* will be available sometime after December 31, 2010.

Additional information or copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**Note 15 – Postemployment Benefits**

**A - School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$6,968, \$6,271 and \$6,214, which equaled the required contributions each year.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program 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 ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

**Sebring Local School District**  
Mahoning County, Ohio

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*For the Fiscal Year Ended June 30, 2011*

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The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is allocated for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2011, 2010 and 2009 were \$31,449, \$26,825 and \$47,352, respectively; 20.9 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B - State Teachers Retirement System**

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2011, 2010 and 2009 were \$31,021, \$29,726 and \$30,053 respectively; 77.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Note 16 - Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

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Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 275 days for certified personnel and 180 for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 60 days for certified employees and one-third of accrued, but unused sick leave credit up to a maximum of 60 days for classified employees.

**Note 17 - Long-term Obligations**

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

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts due in One Year
<b>General Obligation Bonds:</b>					
1999 Classroom Facilities Bonds	\$70,000	\$0	(\$70,000)	\$0	\$0
2010 Classroom Facilities					
Improvement Refunding Bonds:					
Current Interest Serial Bonds	725,000	0	(25,000)	700,000	100,000
Current Interest Term Bonds	225,000	0	0	225,000	0
Capital Appreciation Bonds	49,999	0	0	49,999	0
Accretion on Capital Appreciation Bonds	1,971	11,228	0	13,199	0
Unamortized Premium on Refunding Bonds	111,931	0	(9,804)	102,127	0
Deferred Amount on Refunding	(78,434)	0	6,870	(71,564)	0
<i>Subtotal</i>	<u>1,035,467</u>	<u>11,228</u>	<u>(27,934)</u>	<u>1,018,761</u>	<u>100,000</u>
<i>Total General Obligation Bonds</i>	1,105,467	11,228	(97,934)	1,018,761	100,000
<b>Other Long-Term Obligations:</b>					
Compensated Absences	436,809	16,385	(62,688)	390,506	45,479
<i>Total Long-Term Obligations</i>	<u>\$1,542,276</u>	<u>\$27,613</u>	<u>(\$160,622)</u>	<u>\$1,409,267</u>	<u>\$145,479</u>

In 1999, the School District issued general obligation bonds to provide funds for the acquisition and construction of school facilities and equipment. These bonds are general obligations of the School District for which the full faith and credit of the School District are pledged for repayment. The general obligation bonds were issued in September of 1999 and were scheduled to mature December 1, 2021, and bear an interest rate ranging from 4.0 percent to 6.125 percent. The bonds are being retired from the bond retirement debt service fund.

On April 21, 2010, the District issued Classroom Facilities Improvement Advance Refunding Bonds in the amount of \$999,999 (par value) with interest rates ranging from 2.0 percent to 4.2 percent to advance refund \$1,150,000 of the 1999 Classroom Facilities Improvement Bonds with rates ranging from 4.0 percent to 6.125 percent. The term bonds mature 12/1/2021 and are callable 12/1/2010. The refunding bonds were issued at a premium of \$113,565 and, after paying issuance costs of \$33,985, the net proceeds were \$1,229,579. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on 12/1/2010. The advance refunding met the requirements of an in-substance debt defeasance and all but \$140,000 of the 1999 Classroom Facilities Improvement Bonds were removed from the District's government-wide financial statements.

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Mahoning County, Ohio

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*For the Fiscal Year Ended June 30, 2011*

As a result of the advance refunding, the District reduced its total debt service requirements by \$304,685, which resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$237,132.

Compensated absences will be paid from the general fund and the food service, IDEA part B and the Title I special revenue funds.

The School District's overall legal debt margin was \$3,713,978 with an unvoted debt margin of \$48,320 at June 30, 2011. Principal requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Fiscal year Ending June 30,	2010 Advance Refunding Bonds (Term & Serial)		2010 Advance Refunding Bonds (Capital Appreciation Bonds)	
	Principal	Interest	Principal	Interest
2012	\$100,000	\$30,200	\$0	\$0
2013	100,000	27,950	0	0
2014	100,000	25,200	0	0
2015	100,000	22,200	0	0
2016	100,000	19,075	0	0
2017-2021	310,000	68,940	49,999	150,001
2022	115,000	2,415	0	0
<i>Total</i>	<u>\$925,000</u>	<u>\$195,980</u>	<u>\$49,999</u>	<u>\$150,001</u>

**Note 18 - Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for 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 fiscal year end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Capital		Budget
	Textbooks	Improvements	Stabilization
Set-Aside Reserve Balance as of June 30, 2010	(\$124,496)	\$0	\$24,007
Current Year Set-Aside Requirement	84,090	84,090	0
Qualifying Disbursements	(147,009)	(188,947)	0
Current Year Offsets	0	(88,530)	0
<b>Total</b>	<u>(\$187,415)</u>	<u>(\$193,387)</u>	<u>\$24,007</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>(\$187,415)</u>	<u>\$0</u>	<u>\$24,007</u>
Cash balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$24,007</u>

**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 19 - Jointly Governed Organizations**

***A. Area Cooperative Computerized Educational Service System Council of Governments***

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid \$11,392 to ACCESS during fiscal year 2011. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

***B. Mahoning County Career and Technical Center***

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2011, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.



**Sebring Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
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**Note 20 - Public Entity Risk Pool**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

***B. Portage Area School Consortium***

The Portage Area School Consortium (the "Consortium") is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in Columbiana, Portage and Mahoning counties. The Consortium is a stand alone entity, comprised of two stand-alone pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

**Note 21 - Contingencies**

***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 agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

***B. Litigation***

The School District is not party to legal proceedings as of June 30, 2011.

**Note 22 - New Accounting Standards**

In November of 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, a type of public-private or public-public partnership. Statement No. 60 will not be effective for the District until fiscal year 2013 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**Sebring Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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In November of 2010, the GASB also issued Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The objective of this Statement is to improve financial reporting for a governmental financial reporting entity by modifying the requirements for including component units and also amending the criteria for reporting component units. Statement No. 61 will not be effective for the District until fiscal year 2013 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
National School Breakfast Program	104034-3L70	10.553	\$ 24,224		\$ 24,224	
National School Lunch Program	104034-3L60	10.555	131,697	\$9,111	131,697	\$9,111
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>155,921</b>	<b>9,111</b>	<b>155,921</b>	<b>9,111</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	104034-SM20-10	84.027	26,522		27,792	
	104034-SM20-11	84.027	135,939		130,087	
ARRA - Special Education IDEA	104034-3DJ0	84.391	17,931		17,051	
ARRA - Special Education IDEA	104034-3DJ0	84.391	15,658		13,040	
<b>Total Special Education Cluster</b>			<b>196,050</b>		<b>187,970</b>	
Grants to Local Educational Agencies (ESEA Title I)	104034-3M00-10	84.010	23,479		23,753	
	104034-3M00-11	84.010	125,223		121,432	
ARRA - Grants to Local Educational Agencies	104034-3DK0	84.389	13,401		15,136	
ARRA - Grants to Local Educational Agencies	104034-3DK0	84.389	15,956		15,956	
<b>Total Grants to Local Educational Agencies Cluster</b>			<b>178,059</b>		<b>176,277</b>	
Title II-D Technology Literacy Challenge Fund Grant	104034-3S20	84.318	589		589	
Title II-A Improving Teacher Quality	104034-3Y60-10	84.367	10,364		12,887	
	104034-3Y60-11	84.367	38,917		40,082	
<b>Total Title II-A Improving Teacher Quality</b>			<b>49,281</b>		<b>52,969</b>	
ARRA - State Fiscal Stabilization Fund	104034-GRF	84.394	312,087		312,087	
ARRA - SFSF Race to the Top		84.395	10,175		10,744	
Education Jobs Fund		84.410	69,503		59,792	
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>815,744</b>		<b>800,428</b>	
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>						
<i>Passed Through Ohio Department of Education</i>						
Learn and Serve America School and Community Based Programs		94.004	1,419			
<b>TOTAL</b>			<b>\$ 973,084</b>	<b>\$ 9,111</b>	<b>\$ 956,349</b>	<b>\$ 9,111</b>

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

**SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Sebring Local School District's (the District's) federal award program 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.



# Dave Yost • Auditor of State

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

Sebring Local School District  
Mahoning County  
510 North 14<sup>th</sup> Street  
Sebring, Ohio 44672

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sebring Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### 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, providing an opinion 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*.

Sebring Local School District  
Mahoning County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

December 1, 2011



# Dave Yost • Auditor of State

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

Sebring Local School District  
Mahoning County  
510 North 14<sup>th</sup> Street  
Sebring, Ohio 44672

To the Board of Education:

### Compliance

We have audited the compliance of Sebring Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Sebring Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Sebring Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

December 1, 2011



**SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B, ARRA Special Ed/84.027, 84.391 SFSF/84.394
<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?	No

**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

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Sebring Local School District  
Mahoning County  
North 14<sup>th</sup> Street  
Sebring, Ohio 4

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 19, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

December 1, 2011

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# Dave Yost • Auditor of State

SEBRING LOCAL SCHOOL DISTRICT

MAHONING COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 29, 2011