



Dave Yost • Auditor of State

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

South Range Local School District
Mahoning County
11300 Columbiana Canfield Rd., Suite B
Canfield, Ohio 44406

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 the South Range Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2012, 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 South Range Local School District, Mahoning County, Ohio, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, 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 receipts and expenditures 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 receipts and expenditures 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. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Dave Yost
Auditor of State

March 22, 2013

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The management's discussion and analysis of the South Range 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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$3,396,076, which represents a 14.53% decrease from fiscal year 2011.
- General revenues accounted for \$11,396,188 in revenue, or 88.94% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,417,431, or 11.06%, of total revenues of \$12,813,619.
- The District had \$14,846,805 in expenses related to governmental activities; \$1,417,431 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,396,188 were not adequate to provide for these programs. Additionally, the District recognized a special item of \$(1,362,890) related to a refund to the Ohio School Facilities Commission (OSFC), which occurred during the closing process of the District's OSFC construction project.
- The District's major governmental funds are the general fund, bond retirement fund and building fund. The general fund had \$10,474,520 in revenues and \$11,715,014 in expenditures and other financing uses. During fiscal year 2012, the fund balance in the general fund decreased \$1,240,494 from \$1,567,932 to \$327,438.
- The bond retirement fund had \$1,315,390 in revenues and \$1,319,145 in expenditures. During fiscal year 2012, the fund balance in the bond retirement fund decreased \$3,755 from \$573,111 to \$569,356.
- The building fund had \$1,255,523 in revenues and other financing sources and \$1,755,075 in expenditures. During fiscal year 2012, the fund balance in the building fund decreased \$499,552 from \$674,222 to \$174,670.

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 nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the 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 fiscal year 2012?" 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. 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 governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. 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 major governmental funds are the general fund, bond retirement fund and building 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* than 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. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-49 of this report.

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 at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 10,924,926	\$ 14,877,288
Capital assets, net	<u>37,624,255</u>	<u>37,274,963</u>
Total assets	<u>48,549,181</u>	<u>52,152,251</u>
<u>Liabilities</u>		
Current liabilities	8,608,748	8,342,636
Long-term liabilities	<u>19,971,422</u>	<u>20,444,528</u>
Total liabilities	<u>28,580,170</u>	<u>28,787,164</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	18,982,528	20,296,949
Restricted	1,094,666	1,905,466
Unrestricted (deficit)	<u>(108,183)</u>	<u>1,162,672</u>
Total net assets	<u>\$ 19,969,011</u>	<u>\$ 23,365,087</u>

The decrease in current and other assets in the amount of \$3,952,362 or 26.57% is primarily due to spending of funds by the District during fiscal year 2012 related to construction projects, including a refund to the OSFC of approximately \$1.4 million.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$19,969,011. Of this total, \$1,094,666 is restricted in use.

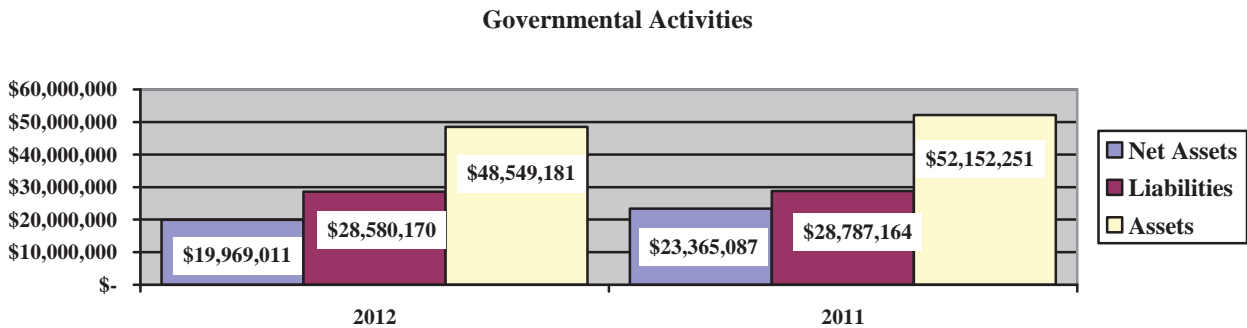
**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

At year-end, capital assets represented 77.50% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012 were \$18,982,528. 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, \$1,094,666, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$108,183.

The graph below illustrates the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



The table below shows the change in net assets for fiscal years 2012 and 2011.

	Change in Net Assets	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 512,957	\$ 493,367
Operating grants and contributions	904,474	1,723,020
General revenues:		
Property taxes	5,918,909	6,149,044
Grants and entitlements	5,328,467	5,547,867
Investment earnings	6,127	24,428
Other	<u>142,685</u>	<u>26,497</u>
Total revenues	<u>\$ 12,813,619</u>	<u>\$ 13,964,223</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2012</u>	<u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,591,144	\$ 7,094,967
Special	1,428,762	802,653
Vocational	163,278	173,914
Other	316,350	222,858
Support services:		
Pupil	313,923	303,820
Instructional staff	510,256	592,448
Board of education	64,408	42,230
Administration	841,048	939,747
Fiscal	437,335	395,793
Operations and maintenance	1,156,219	1,123,384
Pupil transportation	1,015,987	983,361
Central	113,347	172,377
Operation of non-instructional services	1,045	1,426
Food service operations	399,170	365,137
Extracurricular activities	593,174	514,513
Interest and fiscal charges	901,359	903,870
Total expenses	<u>14,846,805</u>	<u>14,632,498</u>
<u>Special Items</u>		
Loss on disposal of assets	-	(2,863,188)
Refund to Ohio School Facilities Commission	(1,362,890)	(1,227,327)
Change in net assets	(3,396,076)	(4,758,790)
Net assets at beginning of year	<u>23,365,087</u>	<u>28,123,877</u>
Net assets at end of year	<u>\$ 19,969,011</u>	<u>\$ 23,365,087</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$3,396,076. Total governmental expenses of \$14,846,805 were offset by program revenues of \$1,417,431 and general revenues of \$11,396,188. Program revenues supported 9.55% 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 87.78% of total governmental revenue. The decrease in operating grants and contributions is primarily due to the decline in education stabilization and education jobs program federal funding. The increase in other revenue is mainly due to fiscal year 2012 receipts related to an oil and gas lease entered into with Chesapeake Energy that permits drilling on District property for a five year period.

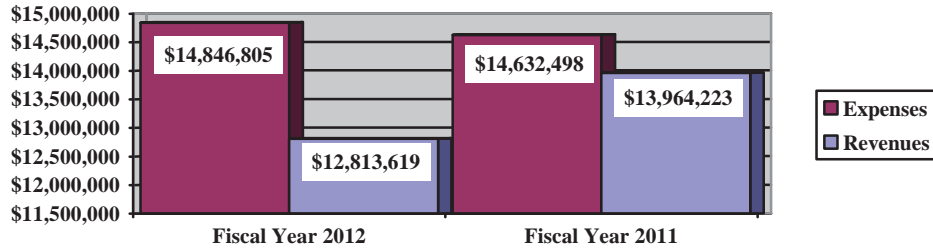
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,499,534, or 57.25%, of total governmental expenses for fiscal year 2012.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



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 for fiscal years 2012 and 2011. 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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 6,591,144	\$ 6,328,813	\$ 7,094,967	\$ 5,944,168
Special	1,428,762	934,033	802,653	523,966
Vocational	163,278	145,877	173,914	156,513
Other	316,350	316,350	222,858	217,388
Support services:				
Pupil	313,923	313,923	303,820	303,820
Instructional staff	510,256	500,442	592,448	548,691
Board of education	64,408	64,408	42,230	42,230
Administration	841,048	841,048	939,747	886,249
Fiscal	437,335	437,335	395,793	395,793
Operations and maintenance	1,156,219	1,155,370	1,123,384	1,122,985
Pupil transportation	1,015,987	976,369	983,361	940,683
Central	113,347	113,347	172,377	167,377
Operation of non-instructional services	1,045	1,045	1,426	1,426
Food service operations	399,170	71,796	365,137	22,172
Extracurricular activities	593,174	327,859	514,513	238,780
Interest and fiscal charges	901,359	901,359	903,870	903,870
Total expenses	<u>\$ 14,846,805</u>	<u>\$ 13,429,374</u>	<u>\$ 14,632,498</u>	<u>\$ 12,416,111</u>

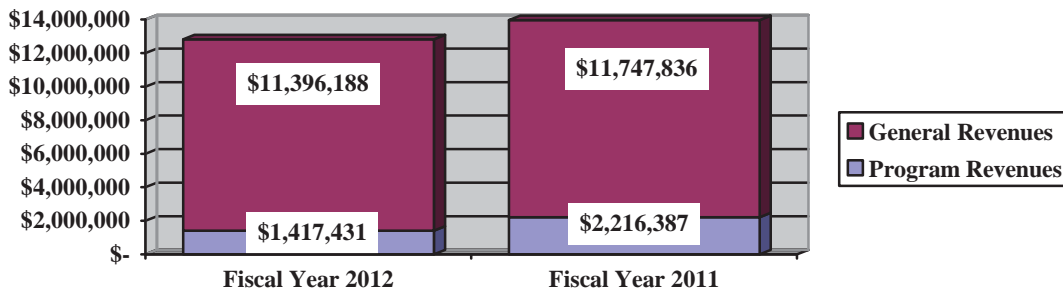
**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

The dependence upon tax and other general revenues for governmental activities is apparent, 90.89% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.45%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,259,159, which is lower than last year's total balance of \$5,483,541. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Decrease	Percentage Change
General	\$ 327,438	\$ 1,567,932	\$ (1,240,494)	(79.12) %
Bond Retirement	569,356	573,111	(3,755)	(0.66) %
Building	174,670	674,222	(499,552)	(74.09) %
Other Governmental	187,695	2,668,276	(2,480,581)	(92.97) %
Total	<u>\$ 1,259,159</u>	<u>\$ 5,483,541</u>	<u>\$ (4,224,382)</u>	(77.04) %

General Fund

The District's general fund balance decreased \$1,240,494, which is mainly due to cash expenditures outpacing cash revenues and the recognition of oil and gas lease proceeds received by the District during fiscal year 2012 as unearned revenue at June 30, 2012 (a GAAP basis liability). The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,715,068	\$ 4,734,017	\$ (18,949)	(0.40) %
Earnings on investments	3,751	10,309	(6,558)	(63.61) %
Intergovernmental	5,471,411	5,694,440	(223,029)	(3.92) %
Other revenues	<u>284,290</u>	<u>149,751</u>	<u>134,539</u>	89.84 %
 Total	 <u>\$ 10,474,520</u>	 <u>\$ 10,588,517</u>	 <u>\$ (113,997)</u>	 (1.08) %
<u>Expenditures</u>				
Instruction	\$ 7,110,331	\$ 6,380,330	\$ 730,001	11.44 %
Support services	4,178,351	4,389,830	(211,479)	(4.82) %
Non-instructional services	1,045	1,521	(476)	(31.30) %
Extracurricular activities	357,257	369,162	(11,905)	(3.22) %
Facilities acquisition and construction	4,322	33,001	(28,679)	(86.90) %
Capital outlay	-	51,500	(51,500)	(100.00) %
Debt service	<u>27,149</u>	<u>20,362</u>	<u>6,787</u>	33.33 %
 Total	 <u>\$ 11,678,455</u>	 <u>\$ 11,245,706</u>	 <u>\$ 432,749</u>	 3.85 %

Overall revenues of the general fund decreased \$113,997 or 1.08%. Earnings on investments decreased \$6,558 or 63.61% primarily due to declining interest rates. Other revenues increased \$134,539 or 89.84% mainly due to fiscal year 2012 receipts related to an oil and gas lease entered into with Chesapeake Energy that permits drilling on District property for a five year period. All other revenues remained comparable to fiscal year 2011.

Overall expenditures of the general fund increased \$432,749 or 3.85%. Instruction expenditures increased \$730,001 or 11.44% primarily due to an increase in cash outlays for special learning experiences for handicapped students. Facilities acquisition and construction expenditures decreased \$28,679 or 86.90% mainly due to capital asset acquisition activity during fiscal year 2011 that was no longer ongoing in fiscal year 2012. Capital outlay expenditures decreased \$51,500 or 100.00% due to a capital lease obligation entered into during fiscal year 2011. All other expenditures remained comparable to fiscal year 2011.

Bond Retirement Fund

The bond retirement fund had \$1,315,390 in revenues and \$1,319,145 in expenditures. During fiscal year 2012, the fund balance in the bond retirement fund decreased \$3,755 from \$573,111 to \$569,356.

Building Fund

The building fund had \$1,255,523 in revenues and other financing sources and \$1,755,075 in expenditures. During fiscal year 2012, the fund balance in the building fund decreased \$499,552 from \$674,222 to \$174,670.

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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

For the general fund, original budgeted revenues and other financing sources of \$10,132,404 were \$586,237 less than final budgeted amounts of \$10,718,641. Actual revenues and other financing sources for fiscal year 2012 totaled \$11,136,926 and were \$418,285 more than final budgeted amounts.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,466,712 were increased to \$11,886,867 in the final budgeted amounts. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$11,805,458 and were \$81,409 less than final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$37,624,255 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 107,195	\$ 107,195
Land improvements	2,707,227	2,228,465
Buildings and improvements	32,933,183	32,748,520
Equipment and furniture	1,726,665	1,983,483
Vehicles	149,985	207,300
Total	\$ 37,624,255	\$ 37,274,963

The overall increase in capital assets of \$349,292 is due to capital outlays of \$1,705,552 exceeding depreciation expense of \$1,356,260 during fiscal year 2012.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$18,641,727 in current interest bonds, capital appreciation bonds and capital lease obligations outstanding. The following table summarizes the long-term obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2012	2011
General obligation bonds	\$ 18,634,996	\$ 19,139,996
Capital lease obligation	6,731	32,826
Total	\$ 18,641,727	\$ 19,172,822

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)

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

Current Financial Related Activities

Management believes that the District will remain financially solvent until fiscal year 2014. Without passage of additional operating millage in 2013, the District could report deficits in fiscal year 2014. The District will also need to renew an emergency levy of \$430,555 in calendar year 2012 to ensure continuation beginning in calendar year 2014. The District is taking advantage of the legislative provision to go on the ballot one calendar year early for the renewal.

All Ohio public school districts are experiencing financial challenges due to the economy and the State of Ohio's revenue shortfalls, which will affect funding. The District receives a good portion of its general fund revenue via State foundation program payments.

Drastic cuts and phase-outs of business taxes as well as personal income tax cuts have greatly affected the income stream to the State of Ohio, and of all governmental agencies. It is said in physics that for every action, there is an equal and opposite reaction. Many tax related actions have occurred – the equal and opposite reactions continue to be identified and weighed. They include operating expense cuts, the consideration of requesting an additional levy to raise revenue, and the consideration of open enrollment.

Administrators and teachers have written and secured over \$500,000 in governmental and private grants during the 2012/2013 school year. These grants are an important part of maintaining reasonable local funding requests from the community. New money issues have been passed every eight years since 1988 (1996, 2004). The rule of thumb for Ohio public school districts in terms of new money levy requests is about every three to five years.

The Auditor of the State of Ohio audits the District's finances once a year. Two to three auditors from the State Auditor's office conduct a thorough audit, usually taking two to three months. Internal controls are audited, as well as a sample of actual transactions to provide reasonable assurance that the finances of the District are conducted with accuracy and integrity. The District's biggest concern at this point is the economy and the conditions it is creating for constituents and businesses alike.

Today's economic environment is causing stress to both governmental and private organizations. The District believes past management practices have prepared the District to deal with the challenges before it. While it would not be appropriate to predict a bright financial future at this time, the District hopes it will be able to run quality educational programs for the immediate future. The District remains optimistic that persons and organizations in Ohio which believe in education will prevail in electing state legislators and other pertinent government officials who will adequately fund a constitutionally acceptable system of common schools in Ohio. The voters of the District have certainly accepted their responsibility in supporting their schools.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James R. Phillips, Treasurer, South Range Local School District, 11300 Columbiana Canfield Rd., Suite B, Canfield, Ohio 44406.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 3,691,403
Receivables:	
Taxes	6,860,675
Accounts.	23,848
Intergovernmental	87,492
Materials and supplies inventory.	15,904
Unamortized bond issue costs	245,604
Capital assets:	
Land	107,195
Depreciable capital assets, net.	37,517,060
Capital assets, net.	37,624,255
Total assets.	48,549,181
Liabilities:	
Accounts payable.	72,553
Contracts payable.	380,239
Retainage payable	49,838
Accrued wages and benefits	982,908
Pension obligation payable.	249,742
Intergovernmental payable	44,188
Accrued interest payable	61,369
Unearned revenue	6,767,911
Long-term liabilities:	
Due within one year.	740,636
Due in more than one year.	19,230,786
Total liabilities	28,580,170
Net Assets:	
Invested in capital assets, net of related debt.	18,982,528
Restricted for:	
Capital projects	174,670
Debt service.	635,533
Classroom facilities maintenance.	220,188
Locally funded programs	2
State funded programs.	2,452
Federally funded programs	24,666
Student activities	37,155
Unrestricted (deficit).	(108,183)
Total net assets	\$ 19,969,011

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
				<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 6,591,144	\$ 42,685	\$ 219,646	\$ (6,328,813)
Special	1,428,762	2,155	492,574	(934,033)
Vocational	163,278	-	17,401	(145,877)
Other	316,350	-	-	(316,350)
Support services:				
Pupil	313,923	-	-	(313,923)
Instructional staff	510,256	-	9,814	(500,442)
Board of education	64,408	-	-	(64,408)
Administration	841,048	-	-	(841,048)
Fiscal	437,335	-	-	(437,335)
Operations and maintenance	1,156,219	849	-	(1,155,370)
Pupil transportation	1,015,987	-	39,618	(976,369)
Central	113,347	-	-	(113,347)
Operation of non-instructional services:				
Other non-instructional services	1,045	-	-	(1,045)
Food service operations	399,170	238,833	88,541	(71,796)
Extracurricular activities	593,174	228,435	36,880	(327,859)
Interest and fiscal charges	901,359	-	-	(901,359)
Totals	\$ 14,846,805	\$ 512,957	\$ 904,474	(13,429,374)

General revenues:

Property taxes levied for:	
General purposes	4,697,516
Special revenue	74,210
Debt service	1,147,183
Grants and entitlements not restricted	
to specific programs	5,328,467
Investment earnings	6,127
Miscellaneous	142,685
Total general revenues	11,396,188

Special item:

Refund to Ohio School Facilities Commission	(1,362,890)
Total general revenues and special item	10,033,298
Change in net assets	(3,396,076)
Net assets at beginning of year	23,365,087
Net assets at end of year	\$ 19,969,011

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,223,690	\$ 569,356	\$ 612,947	\$ 285,410	\$ 3,691,403
Receivables:					
Taxes.	5,451,009	1,324,498	-	85,168	6,860,675
Accounts.	23,848	-	-	-	23,848
Intergovernmental.	15,249	-	-	72,243	87,492
Interfund loans.	23,418	-	-	-	23,418
Materials and supplies inventory.	5,497	-	-	10,407	15,904
Total assets.	<u>\$ 7,742,711</u>	<u>\$ 1,893,854</u>	<u>\$ 612,947</u>	<u>\$ 453,228</u>	<u>\$ 10,702,740</u>
Liabilities:					
Accounts payable.	\$ 23,920	\$ -	\$ 8,200	\$ 40,433	\$ 72,553
Contracts payable.	-	-	380,239	-	380,239
Retainage payable.	-	-	49,838	-	49,838
Compensated absences payable.	83,245	-	-	4,933	88,178
Accrued wages and benefits.	959,587	-	-	23,321	982,908
Pension obligation payable.	235,812	-	-	13,930	249,742
Intergovernmental payable.	42,101	-	-	2,087	44,188
Interfund loans payable.	-	-	-	23,418	23,418
Deferred revenue.	576,611	127,546	-	80,449	784,606
Unearned revenue.	5,493,997	1,196,952	-	76,962	6,767,911
Total liabilities.	<u>7,415,273</u>	<u>1,324,498</u>	<u>438,277</u>	<u>265,533</u>	<u>9,443,581</u>
Fund Balances:					
Nonspendable:					
Materials and supplies inventory.	5,497	-	-	10,407	15,904
Restricted:					
Debt service.	-	569,356	-	-	569,356
Capital improvements.	-	-	174,670	-	174,670
Classroom facilities maintenance.	-	-	-	211,982	211,982
Extracurricular.	-	-	-	37,155	37,155
Other purposes.	-	-	-	2,466	2,466
Committed:					
School bus purchases.	81,410	-	-	-	81,410
Assigned:					
Student instruction.	35,513	-	-	-	35,513
Student and staff support.	61,430	-	-	-	61,430
School supplies.	9,096	-	-	-	9,096
Subsequent year appropriations.	134,492	-	-	-	134,492
Unassigned (deficit).	-	-	-	(74,315)	(74,315)
Total fund balances.	<u>327,438</u>	<u>569,356</u>	<u>174,670</u>	<u>187,695</u>	<u>1,259,159</u>
Total liabilities and fund balances.	<u>\$ 7,742,711</u>	<u>\$ 1,893,854</u>	<u>\$ 612,947</u>	<u>\$ 453,228</u>	<u>\$ 10,702,740</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$ 1,259,159
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,624,255
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		
Taxes receivable	\$ 697,114	
Intergovernmental receivable	<u>87,492</u>	
Total		784,606
Unamortized bond issue costs are not recognized in the funds		245,604
Unamortized premiums on bond issuances are not recognized in the funds.		(245,604)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(61,369)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(619,541)	
Capital lease obligation payable	(6,731)	
General obligation bonds payable	<u>(19,011,368)</u>	
Total		<u>(19,637,640)</u>
Net assets of governmental activities		<u>\$ 19,969,011</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 4,715,068	\$ 1,151,312	\$ -	\$ 74,565	\$ 5,940,945
Tuition	19,393	-	-	-	19,393
Earnings on investments	3,751	-	879	1,497	6,127
Charges for services	-	-	-	238,833	238,833
Extracurricular	95,916	-	-	132,519	228,435
Classroom materials and fees	25,447	-	-	-	25,447
Rental income	849	-	-	-	849
Contributions and donations	53,017	-	-	36,880	89,897
Other local revenues	89,668	-	-	5,850	95,518
Intergovernmental - state	5,471,411	164,078	-	18,180	5,653,669
Intergovernmental - federal	-	-	-	504,765	504,765
Total revenues	10,474,520	1,315,390	879	1,013,089	12,803,878
Expenditures:					
Current:					
Instruction:					
Regular	5,257,722	-	-	186,531	5,444,253
Special	1,372,158	-	-	54,152	1,426,310
Vocational	164,101	-	-	-	164,101
Other	316,350	-	-	-	316,350
Support services:					
Pupil	318,082	-	-	-	318,082
Instructional staff	483,773	-	-	9,720	493,493
Board of education	64,408	-	-	-	64,408
Administration	851,360	-	-	-	851,360
Fiscal	394,667	21,496	-	1,391	417,554
Operations and maintenance	1,023,527	-	-	58,850	1,082,377
Pupil transportation	961,112	-	-	-	961,112
Central	81,422	-	-	-	81,422
Operation of non-instructional services:					
Other non-instructional services	1,045	-	-	-	1,045
Food service operations	-	-	-	364,856	364,856
Extracurricular activities	357,257	-	-	197,999	555,256
Facilities acquisition and construction	4,322	-	1,755,075	39,196	1,798,593
Debt service:					
Principal retirement	26,095	505,000	-	-	531,095
Interest and fiscal charges	1,054	792,649	-	-	793,703
Total expenditures	11,678,455	1,319,145	1,755,075	912,695	15,665,370
Excess (deficiency) of revenues over (under) expenditures	(1,203,935)	(3,755)	(1,754,196)	100,394	(2,861,492)
Other financing sources (uses):					
Transfers in	-	-	1,254,644	36,559	1,291,203
Transfers (out)	(36,559)	-	-	(1,254,644)	(1,291,203)
Total other financing sources (uses)	(36,559)	-	1,254,644	(1,218,085)	-
Special item:					
Refund to Ohio School Facilities Commission	-	-	-	(1,362,890)	(1,362,890)
Net change in fund balances	(1,240,494)	(3,755)	(499,552)	(2,480,581)	(4,224,382)
Fund balances at beginning of year	1,567,932	573,111	674,222	2,668,276	5,483,541
Fund balances at end of year	\$ 327,438	\$ 569,356	\$ 174,670	\$ 187,695	\$ 1,259,159

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (4,224,382)

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 costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$	1,705,552	
Current year depreciation		<u>(1,356,260)</u>	
Total			349,292

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

Taxes		(22,036)	
Intergovernmental revenue		<u>37,886</u>	
Total			15,850

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities

Decrease in accrued interest payable		1,436	
Accretion of interest on "capital appreciation" bonds		(109,092)	
Amortization of bond premiums		10,489	
Amortization of bond issue costs		<u>(10,489)</u>	
Total			(107,656)

Repayment of bond and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets

531,095

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

39,725

Change in net assets of governmental activities \$ (3,396,076)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 4,289,780	\$ 4,537,977	\$ 4,715,068	\$ 177,091
Tuition	17,644	18,665	19,393	728
Earnings on investments	3,413	3,610	3,751	141
Classroom materials and fees	22,954	24,282	25,230	948
Rental income	772	817	849	32
Contributions and donations	49,082	51,922	53,948	2,026
Other local revenues	628,704	665,079	691,033	25,954
Intergovernmental - state	4,977,904	5,265,914	5,471,411	205,497
Total revenues	<u>9,990,253</u>	<u>10,568,266</u>	<u>10,980,683</u>	<u>412,417</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,166,968	5,355,546	5,271,732	83,814
Special	956,696	1,005,878	1,374,884	(369,006)
Vocational	184,683	190,618	165,906	24,712
Other	241,290	252,606	316,350	(63,744)
Support services:				
Pupil	328,143	339,570	319,460	20,110
Instructional staff	674,654	692,979	512,287	180,692
Board of education	46,062	48,370	64,507	(16,137)
Administration	958,229	988,556	847,785	140,771
Fiscal	417,298	431,624	400,493	31,131
Operations and maintenance	1,126,852	1,164,280	1,046,309	117,971
Pupil transportation	974,512	1,012,910	1,073,401	(60,491)
Central	97,685	100,618	81,993	18,625
Operation of non-instructional services	1,517	1,555	1,048	507
Extracurricular activities	257,455	266,935	265,005	1,930
Facilities acquisition and construction	34,668	34,822	4,322	30,500
Total expenditures	<u>11,466,712</u>	<u>11,886,867</u>	<u>11,745,482</u>	<u>141,385</u>
Excess of expenditures over revenues	<u>(1,476,459)</u>	<u>(1,318,601)</u>	<u>(764,799)</u>	<u>553,802</u>
Other financing sources (uses):				
Refund of prior year's expenditures	2,139	2,263	2,351	88
Transfers (out)	-	-	(36,559)	(36,559)
Advances in	137,296	145,239	150,907	5,668
Advances (out)	-	-	(23,417)	(23,417)
Sale of capital assets	2,716	2,873	2,985	112
Total other financing sources (uses)	<u>142,151</u>	<u>150,375</u>	<u>96,267</u>	<u>(54,108)</u>
Net change in fund balance	(1,334,308)	(1,168,226)	(668,532)	499,694
Fund balance at beginning of year	2,623,485	2,623,485	2,623,485	-
Prior year encumbrances appropriated	60,985	60,985	60,985	-
Fund balance at end of year	<u>\$ 1,350,162</u>	<u>\$ 1,516,244</u>	<u>\$ 2,015,938</u>	<u>\$ 499,694</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 66,317
Total assets.	\$ 66,317
Liabilities:	
Accounts payable.	\$ 803
Intergovernmental payable	8
Due to students.	65,506
Total liabilities	\$ 66,317

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The South Range Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District operates one school building that was completed in fiscal year 2011 and accommodates grades K-12. The District is staffed by 93 certified and 74 classified personnel to provide services to approximately 1,231 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989 to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS, including budgeting, appropriating, contracting, and designating management. All revenues of ACCESS are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer of the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio, 44512.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio, 44406.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The 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 (the "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. Fund Accounting

The 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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - A debt service fund provided for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

Building fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students. Expenditures recorded in this fund represent the costs of acquiring and improving capital facilities, including real property.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the 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 6).

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2012.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to July 1, 2012; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to repurchase agreements and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$3,751, which includes \$1,026 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on both the fund financial statements and the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food, and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. 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 disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$2,500. 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. The District does not possess infrastructure.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable” and “interfund loans payable”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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 (the highest level of decision making authority). 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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At June 30, 2012, the District did not have any prepayments.

O. Estimates

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

P. Unamortized Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. 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 basic financial statements.

R. 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. During fiscal year 2012, the District refunded unused proceeds to the Ohio School Facilities Commission (OSFC) upon the completion of the closeout process for the District's OSFC school facilities project. The repayment to the OSFC is reflected as a special item in the financial statements. The District had no extraordinary items during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 20,066
Education jobs	53
IDEA, part B grants	14,870
Title I disadvantaged children	19,657
Improving teacher quality	9,262

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 Governing Board 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.

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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$1,080 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$(98,615), exclusive of the \$2,330,513 in repurchase agreements included in investments below. A liability has not been recorded for the negative carrying amount of deposits because there was no actual overdraft due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the “sweeping” of monies into overnight repurchase agreements, which are reported as investments. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, the District’s bank balance of \$25,710 at June 30, 2012 was entirely covered by FDIC.

C. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreements	\$ 2,330,513	\$ 2,330,513
STAR Ohio	<u>1,524,742</u>	<u>1,524,742</u>
Total	<u>\$ 3,855,255</u>	<u>\$ 3,855,255</u>

The weighted average maturity of investments is one day.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District’s investments in the federal agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

<u>Investment</u>	<u>Fair Market Value</u>	<u>Percent of Total</u>
Repurchase agreements	\$ 2,330,513	60.45
STAR Ohio	1,524,742	39.55
Total	<u>\$ 3,855,255</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ (98,615)
Investments	3,855,255
Cash on hand	1,080
Total	<u>\$ 3,757,720</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,691,403
Agency fund	66,317
Total	<u>\$ 3,757,720</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the fiscal year ended June 30, 2012 consisted of the following, as reported in the fund financial statements:

<u>Transfer from general fund to:</u>	
Nonmajor governmental fund	\$ 36,559
<u>Transfer from nonmajor governmental fund to:</u>	
Building fund	1,254,644
Total	<u>\$ 1,291,203</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During fiscal year 2012, the classroom facilities fund (a nonmajor governmental fund) transferred its residual fund balance of \$1,254,644 to the building fund in accordance with ORC Section 3318.12.

Interfund transfers between governmental funds are eliminated in the government-wide financial statements.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund loans at June 30, 2012 consisted of the following, as reported in the fund financial statements:

<u>Interfund loans receivable in the general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 23,418

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

Interfund loans between governmental funds are eliminated in the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First-half tax collections are received by the 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 property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The District did not report any amounts available as an advance at either June 30, 2012 or June 30, 2011. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

	2011 Second- Half Collections		2012 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 170,727,600	96.01	\$ 171,308,830	95.87
Public utility personal	<u>7,099,070</u>	<u>3.99</u>	<u>7,385,600</u>	<u>4.13</u>
Total	<u>\$ 177,826,670</u>	<u>100.00</u>	<u>\$ 178,694,430</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$ 49.00		\$ 49.00	
Bonded debt	7.60		7.60	
Classroom facilities maintenance	0.50		0.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. 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:

Governmental activities:

Taxes	\$ 6,860,675
Accounts	23,848
Intergovernmental	<u>87,492</u>
Total	<u>\$ 6,972,015</u>

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 107,195	\$ -	\$ -	\$ 107,195
Total capital assets, not being depreciated	<u>107,195</u>	<u>-</u>	<u>-</u>	<u>107,195</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,597,092	644,678	-	3,241,770
Building and improvements	34,189,731	1,060,874	-	35,250,605
Furniture and equipment	3,305,786	-	-	3,305,786
Vehicles	1,091,420	-	-	1,091,420
Total capital assets, being depreciated	<u>41,184,029</u>	<u>1,705,552</u>	<u>-</u>	<u>42,889,581</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(368,627)	(165,916)	-	(534,543)
Building and improvements	(1,441,211)	(876,211)	-	(2,317,422)
Furniture and equipment	(1,322,303)	(256,818)	-	(1,579,121)
Vehicles	(884,120)	(57,315)	-	(941,435)
Total accumulated depreciation	<u>(4,016,261)</u>	<u>(1,356,260)</u>	<u>-</u>	<u>(5,372,521)</u>
Governmental activities capital assets, net	<u>\$ 37,274,963</u>	<u>\$ 349,292</u>	<u>\$ -</u>	<u>\$ 37,624,255</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,162,329
<u>Support services:</u>	
Instructional staff	20,153
Administration	1,995
Operations and maintenance	6,054
Pupil transportation	57,315
Central	30,930
Extracurricular activities	50,455
Food service operations	<u>27,029</u>
Total depreciation expense	<u>\$ 1,356,260</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for office equipment. This lease agreement met the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

Capital assets consisting of office equipment have been capitalized in the amount of \$51,500. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 for this equipment was \$15,450, leaving a current book value of \$36,050. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$26,095 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 6,787
Total minimum lease payments	6,787
Less amount representing interest	<u>(56)</u>
Total	<u>\$ 6,731</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. School Improvement Bonds - Series 2007

On September 27, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$14,490,000, and capital appreciation bonds, par value \$209,990. The interest rates on the current interest bonds range from 4.00% to 4.25%. The capital appreciation bonds mature on December 1, 2014 (stated interest 18.78%) and December 1, 2015 (stated interest 18.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$830,000. Total accreted interest of \$276,324 has been included on the statement of net assets at June 30, 2012.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2036.

The following is a schedule of activity for the series 2007 general obligation bonds:

	<u>Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u>
<u>General obligation bonds - series 2007</u>	<u>June 30, 2011</u>						<u>June 30, 2012</u>
Current interest bonds	\$ 13,645,000	\$	-	\$	(365,000)		\$ 13,280,000
Capital appreciation bonds	209,990		-		-		209,990
Accreted interest	<u>196,404</u>		<u>79,920</u>		-		<u>276,324</u>
Total	<u>\$ 14,051,394</u>	<u>\$</u>	<u>79,920</u>	<u>\$</u>	<u>(365,000)</u>		<u>\$ 13,766,314</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2007 general obligation bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 380,000	\$ 565,437	\$ 945,437	\$ -	\$ -	\$ -
2014	395,000	549,938	944,938	-	-	-
2015	-	542,038	542,038	114,395	300,605	415,000
2016	-	542,038	542,038	95,595	319,405	415,000
2017	410,000	533,837	943,837	-	-	-
2018 - 2022	2,320,000	2,403,188	4,723,188	-	-	-
2023 - 2027	2,835,000	1,874,390	4,709,390	-	-	-
2028 - 2032	3,515,000	1,179,384	4,694,384	-	-	-
2033 - 2036	3,425,000	316,912	3,741,912	-	-	-
Total	<u>\$ 13,280,000</u>	<u>\$ 8,507,162</u>	<u>\$ 21,787,162</u>	<u>\$ 209,990</u>	<u>\$ 620,010</u>	<u>\$ 830,000</u>

B. School Improvement Bonds - Series 2008

On January 8, 2008, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$5,600,000, and capital appreciation bonds, par value \$100,006. The interest rates on the current interest bonds range from 3.75% to 4.38%. The capital appreciation bonds mature on December 1, 2014 (stated interest 16.40%) and December 1, 2015 (stated interest 16.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$320,000. Total accreted interest of \$100,048 has been included on the statement of net assets at June 30, 2012.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to this bond are recorded as expenditures in the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2036.

The following is a schedule of activity for the series 2008 general obligation bonds:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
<u>General obligation bonds - series 2008</u>				
Current interest bonds	\$ 5,185,000	\$ -	\$ (140,000)	\$ 5,045,000
Capital appreciation bonds	100,006	-	-	100,006
Accreted interest	70,876	29,172	-	100,048
Total	<u>\$ 5,355,882</u>	<u>\$ 29,172</u>	<u>\$ (140,000)</u>	<u>\$ 5,245,054</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2008 general obligation bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 145,000	\$ 206,968	\$ 351,968	\$ -	\$ -	\$ -
2014	150,000	201,436	351,436	-	-	-
2015	-	198,624	198,624	53,936	106,064	160,000
2016	-	198,624	198,624	46,070	113,930	160,000
2017	160,000	195,623	355,623	-	-	-
2018 - 2022	890,000	876,718	1,766,718	-	-	-
2023 - 2027	1,085,000	678,632	1,763,632	-	-	-
2028 - 2032	1,330,000	425,097	1,755,097	-	-	-
2033 - 2036	1,285,000	113,413	1,398,413	-	-	-
Total	\$ 5,045,000	\$ 3,095,135	\$ 8,140,135	\$ 100,006	\$ 219,994	\$ 320,000

C. For the fiscal year ended June 30, 2012, the following changes occurred in the governmental activities long-term obligations.

Governmental activities:	Balance			Balance	Amount Due in One Year
	06/30/11	Increases	Decreases		
General obligation bonds - series 2007	\$ 14,051,394	\$ 79,920	\$ (365,000)	\$ 13,766,314	\$ 380,000
General obligation bonds - series 2008	5,355,882	29,172	(140,000)	5,245,054	145,000
Capital lease obligation	32,826	-	(26,095)	6,731	6,731
Compensated absences	748,333	193,872	(234,486)	707,719	208,905
Total	\$ 20,188,435	\$ 302,964	\$ (765,581)	19,725,818	\$ 740,636
Add: Unamortized premium				245,604	
Total amount reported on the statement of net assets				\$ 19,971,422	

Compensated absences will be paid out of the fund from which the employee is paid, which for the District is primarily the general fund.

The capital lease obligation will be paid from the general fund. See Note 9 for details.

D. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2012 are a legal voted debt margin of \$(1,983,141) (including available funds of \$569,356) and a legal unvoted debt margin of \$178,694.

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that school district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation.

In May 2007, the State Superintendent determined the District to be a "special needs" district.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The 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. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments.

The comprehensive commercial insurance coverage limit is \$37,346,115 and a \$7,000,000 annual aggregate. The business auto coverage limit is \$1,000,000 for liability. The District has a liability insurance coverage limit of \$5,000,000 per claim and a \$7,000,000 annual aggregate.

Settled claims have not exceeded commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Mahoning County Employee Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 12 member school districts. The plan was organized to provide health care and dental benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts and claims flow. The Consortium is responsible for paying health plan claims up to \$125,000 per individual per year. Any claims exceeding the \$200,000 is covered by the District's stop-loss carrier. The consortium has a fund which picks up the \$75,000 difference between the \$125,000 per incident and the \$200,000 stop loss agreement.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 11 - RISK MANAGEMENT - (Continued)

The District pays the health insurance premiums for 90% of medical premiums and 90% of dental premiums. Employees pay a flat rate premium share which varies depending on type of coverage.

The health and dental coverage is administered by Medical Mutual of Ohio, a third party administrator. Anthem Life Insurance Company provides the life insurance coverage on a single provider basis.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2.A). 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 District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Sheakley, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**SOUTH RANGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$193,045, \$186,281 and \$200,002, respectively; 63.56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 12 - PENSION PLANS - (Continued)

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$755,189, \$790,387 and \$770,739, respectively; 83.62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$8,076 made by the District and \$5,769 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$33,712, \$47,694 and \$30,187, respectively; 63.56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$11,400, \$11,988 and \$11,894, respectively; 63.56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$58,091, \$60,799 and \$59,288, respectively; 83.62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (668,532)
Net adjustment for revenue accruals	(602,296)
Net adjustment for expenditure accruals	(14,260)
Net adjustment for other sources/uses	(132,826)
Funds budgeted elsewhere	1,947
Adjustment for encumbrances	175,473
GAAP basis	\$ (1,240,494)

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 15 - CONTINGENCIES

A. Grants and ADM

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

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	222,026
Current year offsets	(85,205)
Prior year offset from bond proceeds	<u>(136,821)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

During fiscal year 2008, the District issued \$20,399,996 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$19,603,153 at June 30, 2012.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 17 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 158,889
Building	38,242
Nonmajor governmental funds	<u>3,196</u>
 Total	 <u>\$ 200,327</u>

NOTE 18 - OPERATING LEASE - LESSOR DISCLOSURE

The District is the lessor of oil and gas rights on certain land parcels owned by the District to Chesapeake Energy. The lease agreement is from November 15, 2011 through November 15, 2016. The District received \$690,686 in the general fund at the execution of the lease. This revenue is being recognized over the life of the lease. The District will also receive a 20 percent royalty on any oil or gas that is produced.

NOTE 19 - SUBSEQUENT EVENTS

On September 11, 2012, the District sold its Board of Education offices to Commonwealth-Suburban Title Agency, Inc. in the amount of \$204,887.

On November 6, 2012, the District passed a property tax renewal levy of 2.4 mills for 10 years that was placed on the ballot in an effort to avoid an operating deficit. The levy passed by a margin of approximately 15.14%.

On January 7, 2013, the District adopted a resolution that approved the acceptance of bid terms submitted by The Cornice Company, Inc. for the construction of new Board of Education offices. The total bid package amounted to \$205,900.

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SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast Program	070159-3L70	10.553	\$8,914		\$8,914	
National School Lunch Program	070159-3L60	10.555	77,428	\$13,890	77,428	\$13,890
Total U.S. Department of Agriculture - Nutrition Cluster			86,342	13,890	86,342	13,890
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education - Grants to States	070159-3M20	84.027	196,639		202,021	
Title I, Part A Cluster:						
Title I Grants to Local Education Agencies	070159-3M00-11	84.010	22,343		22,343	
	070159-3M00-12	84.010	109,076		117,988	
ARRA - Title I Grants to Local Education Agencies Recovery Act	070159-3DK0	84.389	6,279		6,279	
Subtotal			137,698		146,610	
Educational Technology State Grants	070159-3S20	84.318	998		998	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	070159-GRF	84.394			5,632	
Education Jobs Fund	070159-3ET0-11	84.410	133,153		133,153	
	070159-3ET0-12	84.410	7,262		7,262	
Subtotal			140,415		140,415	
Title II-A Improving Teacher Quality	070159-3Y60	84.367	32,440		41,563	
TOTAL U.S. DEPARTMENT OF EDUCATION			508,190		537,239	
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES			\$594,532	\$13,890	\$623,581	\$13,890

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the South Range 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 entitlement 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

South Range Local School District
Mahoning County
11300 Columbiana Canfield Rd., Suite B
Canfield, Ohio 44406

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 the South Range Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2013. 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 opinions 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*.

We intend this report solely for the information and use of management, Board of Education, others within the District, and federal awarding agencies and pass-through entities. 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 "D" and "Y".

Dave Yost
Auditor of State

March 22, 2013



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

South Range Local School District
Mahoning County
11300 Columbiana Canfield Rd., Suite B
Canfield, Ohio 44406

To the Board of Education:

Compliance

We have audited the compliance of the South Range Local School District, Mahoning County, Ohio (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 the South Range Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the South Range 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, 2012.

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 management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 22, 2013

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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):	CFDA # 84.027 Special Education – Grants to States (IDEA Part B) CFDA # 84.010, 84.389 Title I Cluster
<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

SOUTH RANGE 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
APRIL 4, 2013**