

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

AUDITED FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT

FOR THE YEAR ENDED  
JUNE 30, 2003





**Auditor of State  
Betty Montgomery**

Board of Education  
Sebring Local School District  
Sebring, Ohio

We have reviewed the Independent Auditor's Report of the Sebring Local School District, Mahoning County, prepared by Nagel, Weigand & Company, LLC, for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 15, 2004

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SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

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SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

ELECTED OFFICIALS  
AS OF JUNE 30, 2003

<u>Elected Officials</u>	<u>Title</u>	<u>Term of Office</u>
<u>Board of Education:</u>		
James Cannell	President	1/1/01-12/31/04
Andrew Safkow	Vice President	1/1/00-12/31/03
Marie Zurbrugg	Member	1/1/01-12/31/04
Tod Brunie	Member	1/1/00-12/31/03
Paula Wayt	Member	1/1/01-12/31/04

Statutory Legal Counsel:

Kenneth J. Cardinal  
Mahoning County Prosecutor  
Mahoning County Courthouse  
Youngstown, Ohio 44503

Official Address:

Sebring Local School District  
225 East Indiana Avenue  
Sebring, Ohio 44672

(A) State Auto Insurance Company

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/1/03-1/1/04

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

ADMINISTRATIVE PERSONNEL  
AS OF JUNE 30, 2003

<u>Name</u>	<u>Title</u>	<u>Term of Office or Contract Period</u>
Howard Friend	Superintendent	4/01/99 - 7/31/03
Harry Hill	Treasurer	1/10/00 - 1/10/04

(A) State Auto Insurance Company



<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	7/31/02 - 7/31/03
(A)	\$20,000	1/10/03 - 1/10/04

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES

General Fund

General Fund

Special Revenue Funds

Public School Support Fund  
Student Activities Athletic Fund  
Disadvantaged Pupil Program Fund  
Textbook Subsidy  
Management Information System Fund  
Title VI-B - Special Education: Assistance to States For  
Education of Handicapped Children Fund  
Elementary and Secondary Education Act Block Grant:  
Title I - Special Educational Needs Of Disadvantaged  
Children Fund  
Elementary and Secondary Education Act Block Grant:  
Title VI - Consolidation of Federal Programs  
For Elementary and Secondary Education Fund  
Drug Free Schools Grant Fund  
Venture Partner Grant Fund  
Title VI-R  
Title II  
Eisenhower Grant  
Laura Martin Grant

Debt Service Fund

Bond Retirement Fund

Capital Projects Funds

Permanent Improvement Fund  
Schoolnet Plus  
Technology Equity Grant

PROPRIETARY FUND TYPES

Enterprise Funds

Food Services Fund

Internal Service Funds

Self Insurance Fund  
Services Rotary Fund

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

INDEX OF FUNDS  
(Continued)

FIDUCIARY FUND TYPES

Agency Fund

Student Managed Activity Funds

ACCOUNT GROUPS

General Long -Term Debt Account Group

General Fixed Assets Account Group

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# Nagel, Weigand & Company, LLC

## Independent Auditor's Report

Board of Education  
Sebring Local School District  
Sebring, Ohio 44609

We have audited the accompanying general-purpose financial statements of the Sebring Local School District, as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sebring Local School District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Sebring Local School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose

**Sebring Local School District  
Mahoning County**

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

December 17, 2003

*Nagel, Weigand & Company, LLC*

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SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2003

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b><u>Assets and Other Debits</u></b>				
Cash, Cash Equivalents and Investments	\$ 578,488	\$ 110,523	\$ 168,958	\$ 532,684
Restricted Cash	24,007	-	-	-
Receivable (Net Allowances for Uncollectables)				
Taxes - Current	1,230,026	-	149,573	107,276
Taxes - Delinquent	290,517	-	31,138	23,329
Interfund	100,000	-	-	-
Accounts	-	1,233	-	-
Grants	-	82,935	-	19,760
Inventory Held for Resale	-	-	-	-
Materials and Supplies Inventory	-	-	-	-
Prepays	8,079	42	-	-
Property, Plant and Equipment (Net of Accumulated Depreciation Where Applicable)	-	-	-	-
Amount Available In Debt Service Fund	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-	-
<b>Total Assets and Other Debits</b>	<b><u>\$ 2,231,117</u></b>	<b><u>\$ 194,733</u></b>	<b><u>\$ 349,669</u></b>	<b><u>\$ 683,049</u></b>

The notes to the general purpose financial statements are an integral part of this statement.



<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND</u>	<u>ACCOUNT GROUPS</u>		<u>TOTALS</u>
<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>AGENCY</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM OBLIGATIONS</u>	<u>(MEMO-RANDUM ONLY)</u>
\$ 13,185	\$ 373,809	\$ 11,518	\$ -	\$ -	\$ 1,789,165
-	-	-	-	-	24,007
-	-	-	-	-	1,486,875
-	-	-	-	-	344,984
-	-	-	-	-	100,000
-	-	-	-	-	1,233
-	-	-	-	-	102,695
3,243	-	-	-	-	3,243
311	-	-	-	-	311
-	-	-	-	-	8,121
95,020	-	-	19,963,660	-	20,058,680
-	-	-	-	141,458	141,458
-	-	-	-	1,803,284	1,803,284
<u>\$ 111,759</u>	<u>\$ 373,809</u>	<u>\$ 11,518</u>	<u>\$ 19,963,660</u>	<u>\$ 1,944,742</u>	<u>\$ 25,864,056</u>

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2003  
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b><u>Liabilities, Equity and Other Credits</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 77,602	\$ 8,077	\$ -	\$ 8,647
Claims Payable	-	-	-	-
Accrued Wages and Benefits	462,173	52,808	-	-
Compensated Absences Payable	7,702	-	-	-
Due to Students	-	-	-	-
Due to Other Governments	73,282	8,396	-	-
Interfund Payable	-	-	-	100,000
Deferred Revenue	1,520,543	-	180,711	130,605
General Obligation Notes Payable	-	-	-	247,500
General Obligation Bonds Payable	-	-	-	-
<b>Total Liabilities</b>	<b>2,141,302</b>	<b>69,281</b>	<b>180,711</b>	<b>486,752</b>
<b><u>Equity and Other Credits</u></b>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings : Unreserved	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	13,744	63,057	-	22,529
Reserved for Prepays	8,079	42	-	-
Reserved for BWC Refund	24,007	-	-	-
Unreserved - Undesignated	43,985	62,353	168,958	173,768
<b>Total Equity and Other Credits</b>	<b>89,815</b>	<b>125,452</b>	<b>168,958</b>	<b>196,297</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ 2,231,117</b>	<b>\$ 194,733</b>	<b>\$ 349,669</b>	<b>\$ 683,049</b>

The notes to the general purpose financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMORANDUM ONLY)
\$ -	\$ -	\$ 2,214	\$ -	\$ -	\$ 96,540
-	35,762	-	-	-	35,762
15,712	-	-	-	-	530,693
7,376	-	-	-	264,033	279,111
-	-	9,304	-	-	9,304
8,532	-	-	-	45,709	135,919
-	-	-	-	-	100,000
-	-	-	-	-	1,831,859
-	-	-	-	-	247,500
-	-	-	-	1,635,000	1,635,000
<b>31,620</b>	<b>35,762</b>	<b>11,518</b>	<b>-</b>	<b>1,944,742</b>	<b>4,901,688</b>
-	-	-	19,963,660	-	19,963,660
80,139	338,047	-	-	-	418,186
-	-	-	-	-	99,330
-	-	-	-	-	8,121
-	-	-	-	-	24,007
-	-	-	-	-	449,064
<b>80,139</b>	<b>338,047</b>	<b>-</b>	<b>19,963,660</b>	<b>-</b>	<b>20,962,368</b>
<b>\$ 111,759</b>	<b>\$ 373,809</b>	<b>\$ 11,518</b>	<b>\$ 19,963,660</b>	<b>\$ 1,944,742</b>	<b>\$ 25,864,056</b>

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b><u>Revenues</u></b>				
Taxes	\$ 1,354,595	\$ 19,932	\$ 163,440	\$ 87,358
Tuition and Fees	3,609	87	-	-
Earnings on Investments	37,823	-	-	1,109
Intergovernmental	3,642,471	499,540	18,439	41,792
Extracurricular Activities	3,220	86,965	-	-
Classroom Materials and Fees	4,542	-	-	-
Other Revenue	6,011	62,305	-	16,140
<b>Total Revenues</b>	<b>5,052,271</b>	<b>668,829</b>	<b>181,879</b>	<b>146,399</b>
<b><u>Expenditures</u></b>				
Instruction:				
Regular Instruction	2,399,746	180,161	-	63,488
Special Instruction	621,785	296,603	-	-
Vocational Instruction	41,168	-	-	-
Other Instruction	164,231	-	-	-
Support Services:				
Pupils	168,620	16,839	-	-
Instructional Staff	203,854	9,934	-	-
Board of Education	11,008	-	-	-
School Administration	655,582	26,371	-	655
Fiscal	236,690	4,869	2,971	1,770
Operations and Maintenance	588,048	43,727	-	87,514
Pupil Transportation	146,234	-	-	-
Central	1,588	-	-	-
Extracurricular Activities	115,645	71,562	-	-
Facilities Acquisition	-	6,500	-	313,933
Debt Service:				
Principal Retirement	-	-	50,000	-
Interest and Fiscal Charges	-	-	109,738	-
<b>Total Expenditures</b>	<b>\$ 5,354,199</b>	<b>\$ 656,566</b>	<b>\$ 162,709</b>	<b>\$ 467,360</b>

The notes to the general purpose financial statements are an integral part of this statement.

TOTALS  
(MEMORANDUM  
ONLY)

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\$ 1,625,325  
3,696  
38,932  
4,202,242  
90,185  
4,542  
84,456

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**6,049,378**

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2,643,395  
918,388  
41,168  
164,231

185,459  
213,788  
11,008  
682,608  
246,300  
719,289  
146,234  
1,588  
187,207  
320,433

50,000  
109,738

**\$ 6,640,834**

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SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<b>\$ (301,928)</b>	<b>\$ 12,263</b>	<b>\$ 19,170</b>	<b>\$ (320,961)</b>
<b><u>Other Financing Sources/ (Uses)</u></b>				
Refund of Prior Year Expenditure	18,409	1,609	-	36,610
Operating Transfers In	-	5,607	-	62,000
Operating Transfers Out	(40,000)	(5,607)	-	(62,000)
<b>Total Other Financing Sources/ (Uses)</b>	<b>(21,591)</b>	<b>1,609</b>	<b>-</b>	<b>36,610</b>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(323,519)	13,872	19,170	(284,351)
<b>Fund Balances - July 1, 2002</b>	<b>413,334</b>	<b>111,580</b>	<b>149,788</b>	<b>480,648</b>
<b>Fund Balances - June 30, 2003</b>	<b>\$ 89,815</b>	<b>\$ 125,452</b>	<b>\$ 168,958</b>	<b>\$ 196,297</b>

The notes to the general purpose financial statements are an integral part of this statement.

TOTALS  
(MEMORANDUM  
ONLY)

\$ (591,456)

56,628  
67,607  
(107,607)

16,628

(574,828)

1,155,350

\$ 580,522

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<b><u>Revenues</u></b>			
Taxes	\$ 1,478,816	\$ 1,354,595	\$ (124,221)
Tuition and Fees	1,500	3,609	2,109
Earnings on Investments	30,000	37,823	7,823
Intergovernmental	3,600,790	3,642,798	42,008
Extracurricular Activities	5,000	3,220	(1,780)
Classroom Materials & Fees	4,500	4,542	42
Other Revenue	9,000	6,011	(2,989)
	<b>5,129,606</b>	<b>5,052,598</b>	<b>(77,008)</b>
<b><u>Expenditures</u></b>			
Instruction:			
Regular Instruction	2,617,096	2,416,061	201,035
Special Instruction	627,090	602,089	25,001
Vocational Instruction	47,475	45,982	1,493
Other Instruction	170,000	164,231	5,769
Support Services:			
Pupils	18,541	166,860	(148,319)
Instructional Staff	164,064	203,338	(39,274)
Board of Education	11,170	14,522	(3,352)
School Administration	670,105	655,839	14,266
Fiscal	249,670	236,785	12,885
Operations and Maintenance	633,415	591,720	41,695
Pupil Transportation	167,450	148,391	19,059
Central	1,750	1,738	12
Extracurricular Activities	120,548	115,645	4,903
Facilities Acquisition	-	-	-
Debt Service:			
Principal Retirement	-	-	-
	<b>\$ 5,498,374</b>	<b>\$ 5,363,201</b>	<b>\$ 135,173</b>

The notes to the general purpose financial statements are an integral part of this statement.



SPECIAL REVENUE FUNDS				DEBT SERVICE FUND			
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)		REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ 20,500	\$ 19,932	\$ (568)		\$ 170,000	\$ 163,440	\$ (6,560)	
-	-	-		-	-	-	
-	-	-		-	-	-	
416,121	416,605	484		18,000	18,439	439	
74,300	85,732	11,432		-	-	-	
50	87	37		-	-	-	
62,305	62,305	-		-	-	-	
<b>573,276</b>	<b>584,661</b>	<b>11,385</b>		<b>188,000</b>	<b>181,879</b>	<b>(6,121)</b>	
182,958	176,274	6,684		-	-	-	
327,754	327,754	-		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
16,839	16,839	-		-	-	-	
3,498	3,498	-		-	-	-	
-	-	-		-	-	-	
27,950	27,030	920		-	-	-	
5,500	4,869	631		4,500	2,971	1,529	
58,075	60,092	(2,017)		-	-	-	
-	-	-		-	-	-	
-	-	-		-	-	-	
81,700	76,543	5,157		-	-	-	
6,500	6,500	-		-	-	-	
-	-	-		187,400	159,738	27,662	
<b>\$ 710,774</b>	<b>\$ 699,399</b>	<b>\$ 11,375</b>		<b>\$ 191,900</b>	<b>\$ 162,709</b>	<b>\$ 29,191</b>	

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	\$ (368,768)	\$ (310,603)	\$ 58,165
<b><u>Other Financing Sources/ (Uses)</u></b>			
Refund of Prior Years Expenditures	-	18,409	18,409
Advances In	-	17,000	17,000
Operating Transfers In	-	-	-
Operating Transfers Out	(40,000)	(40,000)	-
<b>Total Other Financing Sources/ (Uses)</b>	<b>(40,000)</b>	<b>(4,591)</b>	<b>35,409</b>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(408,768)	(315,194)	93,574
Prior Year Encumbrances Appropriated	23,771	23,771	-
<b>Fund Balances - July 1, 2002</b>	<b>807,209</b>	<b>807,209</b>	<b>-</b>
<b>Fund Balances - June 30, 2003</b>	<b>\$ 422,212</b>	<b>\$ 515,786</b>	<b>\$ 93,574</b>

The notes to the general purpose financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (137,498)	\$ (114,738)	\$ 22,760	\$ (3,900)	\$ 19,170	\$ 23,070
-	1,609	1,609	-	-	-
-	-	-	-	-	-
-	5,607	5,607	-	-	-
(5,461)	(5,607)	(146)	-	-	-
<b>(5,461)</b>	<b>1,609</b>	<b>7,070</b>	-	-	-
(142,959)	(113,129)	29,830	(3,900)	19,170	23,070
46,916	46,916	-	-	-	-
<b>105,889</b>	<b>105,889</b>	-	<b>149,788</b>	<b>149,788</b>	-
<b>\$ 9,846</b>	<b>\$ 39,676</b>	<b>\$ 29,830</b>	<b>\$ 145,888</b>	<b>\$ 168,958</b>	<b>\$ 23,070</b>

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)

ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<b><u>Revenues</u></b>			
Taxes	\$ 102,500	\$ 87,358	\$ (15,142)
Tuition and Fees	-	-	-
Earnings on Investments	2,000	1,109	(891)
Intergovernmental	35,000	22,032	(12,968)
Extracurricular Activities	-	-	-
Classroom Materials & Fees	-	-	-
Other Revenue	-	16,140	16,140
<b>Total Revenues</b>	<b>139,500</b>	<b>126,639</b>	<b>(12,861)</b>
<b><u>Expenditures</u></b>			
Instruction:			
Regular Instruction	60,402	67,340	(6,938)
Special Instruction	-	-	-
Vocational Instruction	-	-	-
Other Instruction	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
School Administration	1,000	655	345
Fiscal	2,000	1,770	230
Operations and Maintenance	100,750	94,189	6,561
Pupil Transportation	-	-	-
Central	-	-	-
Extracurricular Activities	-	-	-
Facilities Acquisition	744,719	326,520	418,199
Debt Service:			
Principal Retirement	62,000	27,500	34,500
<b>Total Expenditures</b>	<b>\$ 970,871</b>	<b>\$ 517,974</b>	<b>\$ 452,897</b>

The notes to the general purpose financial statements are an integral part of this statement.

TOTALS (MEMORANDUM ONLY)

REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ 1,771,816	\$ 1,625,325	\$ (146,491)
1,500	3,609	2,109
32,000	38,932	6,932
4,069,911	4,099,874	29,963
79,300	88,952	9,652
4,550	4,629	79
71,305	84,456	13,151
<b>6,030,382</b>	<b>5,945,777</b>	<b>(84,605)</b>
2,860,456	2,659,675	200,781
954,844	929,843	25,001
47,475	45,982	1,493
170,000	164,231	5,769
35,380	183,699	(148,319)
167,562	206,836	(39,274)
11,170	14,522	(3,352)
699,055	683,524	15,531
261,670	246,395	15,275
792,240	746,001	46,239
167,450	148,391	19,059
1,750	1,738	12
202,248	192,188	10,060
751,219	333,020	418,199
249,400	187,238	62,162
<b>\$ 7,371,919</b>	<b>\$ 6,743,283</b>	<b>\$ 628,636</b>

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	\$ (831,371)	\$ (391,335)	\$ 440,036
<b><u>Other Financing Sources/ (Uses)</u></b>			
Refund of Prior Years Expenditures	-	36,610	36,610
Advances In	-	-	-
Operating Transfers In	-	62,000	62,000
Operating Transfers Out	-	(62,000)	(62,000)
<b>Total Other Financing Sources/ (Uses)</b>	-	<b>36,610</b>	<b>36,610</b>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(831,371)	(354,725)	476,646
Prior Year Encumbrances Appropriated	96,542	96,542	-
<b>Fund Balances - July 1, 2002</b>	<b>759,690</b>	<b>759,690</b>	-
<b>Fund Balances - June 30, 2003</b>	<b>\$ 24,861</b>	<b>\$ 501,507</b>	<b>\$ 476,646</b>

The notes to the general purpose financial statements are an integral part of this statement.

TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (1,341,537)	\$ (797,506)	\$ 544,031
-	56,628	56,628
-	17,000	17,000
-	67,607	67,607
(45,461)	(107,607)	(62,146)
<b>(45,461)</b>	<b>33,628</b>	<b>79,089</b>
(1,386,998)	(763,878)	623,120
167,229	167,229	-
<b>1,822,576</b>	<b>1,822,576</b>	-
<b>\$ 602,807</b>	<b>\$ 1,225,927</b>	<b>\$ 623,120</b>

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

	PROPRIETARY FUND TYPES		
	ENTERPRISE FUND	INTERNAL SERVICE FUND	TOTALS (MEMORANUDM ONLY)
<b><u>Operating Revenues</u></b>			
Food Services	\$ 122,629	\$ -	\$ 122,629
Contributions from Other Funds	-	770,326	770,326
<b>Total Operating Revenues</b>	<b>122,629</b>	<b>770,326</b>	<b>892,955</b>
<b><u>Operating Expenses</u></b>			
Salaries	93,288	-	93,288
Fringe Benefits	49,875	-	49,875
Depreciation Expense	13,110	-	13,110
Purchased Services	2,949	177,087	180,036
Materials and Supplies	115,717	-	115,717
Other Operating Expenses	190	488,510	488,700
<b>Total Operating Expenses</b>	<b>275,129</b>	<b>665,597</b>	<b>940,726</b>
Operating (Loss)	(152,500)	104,729	(47,771)
<b><u>Nonoperating Revenues</u></b>			
Intergovernmental	107,141	-	107,141
Interest	12	-	12
Miscellaneous	452	-	452
<b>Total Nonoperating Revenues</b>	<b>107,605</b>	<b>-</b>	<b>107,605</b>
Net Income (Loss) Before Operating Transfers	(44,895)	104,729	59,834
Operating Transfers In	40,000	-	40,000
<b>Total Operating Transfers</b>	<b>40,000</b>	<b>-</b>	<b>40,000</b>
Net Income (Loss)	(4,895)	104,729	99,834
Retained Earnings - July 1, 2002	85,034	233,318	318,352
<b>Retained Earnings - June 30, 2003</b>	<b>\$ 80,139</b>	<b>\$ 338,047</b>	<b>\$ 418,186</b>

The notes to the general purpose financial statements are an integral part of this statement.



SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

	<u>PROPRIETARY FUNDS</u>		<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
	<u>ENTERPRISE</u> <u>FUND</u>	<u>INTERNAL</u> <u>SERVICE</u> <u>FUND</u>	
<b><u>Cash Flows from Operating Activities</u></b>			
Operating Income (Loss)	\$ (152,500)	\$ 104,729	\$ (47,771)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used In) Operating Activities:			
Depreciation Expense	13,110	-	13,110
<i><u>(INCREASE) DECREASE IN ASSETS:</u></i>			
Due from Other Governments	17,056	-	17,056
Inventory Held for Resale	(1,013)	-	(1,013)
Materials and Supplies Inventory	105	-	105
<i><u>INCREASE (DECREASE) IN LIABILITIES:</u></i>			
Deferred Revenues	(1,133)	-	(1,133)
Accrued Wages and Benefits	1,019	-	1,019
Compensated Absences Payable	143	-	143
Claims Payable	-	(30,414)	(30,414)
Due to Other Funds	(17,000)	-	(17,000)
Due to Other Governments	(175)	-	(175)
Total Adjustments	<u>12,112</u>	<u>(30,414)</u>	<u>(18,302)</u>
Net Cash (Used in) Operating Activities	(140,388)	74,315	(66,073)
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Intergovernmental	107,141	-	107,141
Interest	12	-	12
Miscellaneous	452	-	452
Operating Transfer In	40,000	-	40,000
Net Cash Provided by Noncapital Financing Activities	<u>147,605</u>	<u>-</u>	<u>147,605</u>
Net Increase In Cash and Cash Equivalents	7,217	74,315	81,532
Cash and Cash Equivalents - July 1, 2002	<u>5,968</u>	<u>299,494</u>	<u>305,462</u>
<b>Cash and Cash Equivalents- June 30, 2003</b>	<b><u>\$ 13,185</u></b>	<b><u>\$ 373,809</u></b>	<b><u>\$ 386,994</u></b>

The notes to the general purpose financial statements are an integral part of this statement.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

1. Description of the School District and Reporting Entity

The Sebring Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by its citizens. The Board controls the District's three school buildings staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

On October 31, 2003, the District was declared to be in a state of "Fiscal Caution" by the Auditor of State. The "Fiscal Caution" status was declared due to potential deficits in the next few years according to the District's five-year forecast. The Auditor of State's office is currently evaluating the situation at the District and will decide if further action should be taken. The outcome of this evaluation was unable to be determined at the time of the audit.

*The Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements for the District are not misleading. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies

The general purpose financial statements of the Sebring Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District has required no change from prior years. The District's significant accounting policies are described as follows:

A. Basis of Presentation

Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

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

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

General Fund

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

Special Revenue Funds

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

Debt Service Fund

The Debt Service Fund is used to account for financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by propriety funds or trust funds).

Proprietary Fund Types

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

Enterprise Fund

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

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Enterprise Fund Types (Continued)

*Internal Service Fund*

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a reimbursement basis.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets not owned by the District, but held for a separate entity.

*Agency Funds*

Agency Funds are used to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations.

Account Groups

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

*General Fixed Assets Account Group*

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Fund.

*General Long-Term Obligations Account Group*

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Fund.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

Basis of Accounting

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2003, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unused donated commodities in the Enterprise Fund at year end are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Tax Budget

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 express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board adopted budget is filed with the Mahoning County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, 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 at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.



SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year end expenditures of governmental funds.

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash, Cash Equivalents and Investments" on the balance sheet. During fiscal year 2003, investments were limited to STAR Ohio.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2003. 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 share price the investment could be sold for on June 30, 2003.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

E. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventories in Governmental Funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in those funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not have any infrastructure.

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 capitalized.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

F. Fixed Assets and Depreciation (Continued)

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the Enterprise Fund is computed using the straight-line method over an estimated useful lives of eight to twenty years.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund  
*State Foundation Program*  
*State Property Tax Relief*

Nonreimbursable Grants

Special Revenue Funds  
*Drug Free Grant*  
*Title I*  
*Title VI*  
*Title VI-B*  
*Title VI-R*  
*Title II*  
*Eisenhower Grant*

Capital Projects Fund  
*SchoolNet*

Reimbursable Grants

General Fund  
*Driver Education Reimbursement*  
*School Bus Reimbursement*

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

G. Intergovernmental Revenues (Continued)

Special Revenue Fund  
*Vocational Education Equipment*  
*Venture Partner Grant*

Enterprise Fund  
*National School Lunch Program*  
*National School Breakfast Program*  
*Government Donated Commodities*

Grants and entitlements amounted to approximately 63 percent of the District's operating and nonoperating revenue during the 2003 fiscal year.

H. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Interfund Receivable" or "Interfund Payable". Long-term interfund loans are recorded as reservation of fund balance to indicate that they do not constitute available expendable resources since they are not a component of net current assets. The District did not have any long-term advances at year end.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's severance policy.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences (Continued)

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities those funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. Nonrecurring on nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expenses is reported in the year in which services are consumed.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

2. Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service, inventory, budget stabilization and prepaids. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

N. Total Columns on General Purpose Financial Statements

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance has also been established.

3. Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).

SEBRING LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

3. Budgetary Basis of Accounting (Continued)

3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

	<u>Excess (Deficiency) of Revenues and Other Financing Sources</u> <u>Over (Under) Expenditures and Other Financing Uses</u>			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$(315,194)	\$(113,129)	\$19,170	\$(354,725)
Adjustments for Revenue Accruals	(327)	84,168	-	19,760
Adjustments for Expenditure Accruals	(94,708)	(28,015)	-	19,438
Adjustments for Encumbrances	<u>86,710</u>	<u>70,848</u>	<u>-</u>	<u>31,176</u>
GAAP Basis	<u>\$ (323,519)</u>	<u>\$ 13,872</u>	<u>\$19,170</u>	<u>\$(284,351)</u>

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 Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no 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.

SEBRING LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

4. Deposits and Investments (Continued)

Interim monies may be invested in the following obligations:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.



SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

4. Deposits and Investments (Continued)

*Deposits:* At year-end, the carrying amount of the District's deposits was \$1,678,512 and the bank balance was \$1,728,835. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$1,528,835 was covered by collateral held by the depository, or by their trust department agent, but not in the District's name.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes insured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form. Investments at June 30, 2003 consisted of STAR Ohio, which had a carrying and market value of \$134,660.

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 50 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

5. Property Taxes (Continued)

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to a deferred revenue for that portion not intended to finance current year operations. There were no advances available to the District at year-end.

6. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

	Balance 7/1/02	Additions	Disposals	Balance 6/30/03
Land and Land Improvements	\$ 1,108,294	\$ -	\$ -	\$ 1,108,294
Buildings and Building Improvements	16,261,811	-	-	16,261,811
Furniture, Fixtures, And Equipment	2,322,441	-	-	2,322,441
Textbooks and Library Books	<u>271,114</u>	<u>-</u>	<u>-</u>	<u>271,114</u>
Totals	<u>\$19,963,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$19,963,660</u>

A summary of the Enterprise Funds' fixed assets at June 30, 2003 is as follows:

	Balance 7/1/02	Additions	Disposals	Balance 6/30/03
Furniture, Fixtures, and Equipment	\$ 169,668	\$ -	\$ -	\$169,668
Less: Accumulated Depreciation	<u>(61,538)</u>	<u>(13,110)</u>	<u>-</u>	<u>(74,648)</u>
Net Fixed Assets	<u>\$ 108,130</u>	<u>\$(13,110)</u>	<u>\$ -</u>	<u>\$ 95,020</u>

SEBRING LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2002

7. Long-Term Debt and Other Obligations

Debt outstanding at June 30, consisted of the following:

General Obligation Bonds

School Improvement Bonds, Series 1999	
Principal Outstanding	\$1,635,000
Interest Rate	5.00%
Issue Date	09/99
Maturity Date	12/21

Tax Anticipation Notes

Principal Outstanding	\$ 247,500
Interest Rate	4.95%
Issue Date	04/02
Maturity Date	12/07

Outstanding general obligation bonds consist of school building construction bonds. General obligation bond is a direct obligations of the District for which its full, faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the District.

Tax anticipation notes were issued during the year for the purpose of permanent repair, remodeling, equipping, improving, and building for school purposes. Proceeds from a 3-mill levy will be used to pay for the note. The payments of the note are \$27,500 payable June 1 and December 1 each year.

The annual requirements to amortize all bonded debt outstanding as of June 30, 2003, including interest payments of \$755,768, are as follows:

Year Ending <u>June 30</u>	Annual <u>Requirement</u>
2004	147,625
2005	145,012
2006	147,262
2007	144,262
2008	146,262
Thereafter	1,907,845
Total	<u>\$2,638,268</u>

The following changes occurred in the General Long-Term Obligations Account Group during the year ended June 30, 2003:

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

7. Long-Term Debt and Other Obligations (Continued)

	<u>General Long-Term Obligations Account Group</u>			Balance 6/30/03
	Balance 7/1/02	Additions	Reductions	
General Obligation Bond Payable	\$ 1,685,000	\$ -	\$ 50,000	\$1,635,000
Compensated Absences Payable	250,564	13,469	-	264,033
Due to Other Governments	<u>45,031</u>	<u>678</u>	<u>-</u>	<u>45,709</u>
Total	<u>\$ 1,980,595</u>	<u>\$ 14,147</u>	<u>\$ 50,000</u>	<u>\$1,944,742</u>

8. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified personnel and 150 for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 57 days for certified employees, and one-third of accrued, but unused sick leave credit up to a maximum of 50 days for classified employees.

9. Risk Management

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents-replacement cost (\$5,000 deductible) \$13,363,064

Boiler and Machinery Coverage (\$500 deductible) \$4,000,000

Inland Marine Coverage (\$100 deductible) Based on items listed.

Automobile Liability -(\$100 deductible - collision/ \$500 deductible - comprehensive)  
\$1,000,000

Uninsured Motorists - \$1,000,000

SEBRING LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

9. Risk Management (Continued)

General Liability - \$1,000,000/ each occurrence    \$3,000,000/ aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation - For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers; compensation experience of the participating 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 share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald and Co. provides administrative, cost control and actuarial services to the GRP.

Self-Insurance - Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District maintains a self-insurance plan with Benefit Services, Inc. to provide health, dental, and prescription benefits. The district is liable for medical claims up to a stop-loss limit of \$20,000 per beneficiary annually and aggregate medical claims up to a stop-loss limit of \$322,238 annually for the entire District.

Any claims over the stop-loss limit are the responsibility of the insurance company. The district maintains a separate depository account for the self-insurance plan. Claims are paid by Benefit Services, Inc. and the District transfers funds into the account to cover the amount of these claims and fees. Changes in claims activity for the past two years are as follows:

	<u>July 1</u>	<u>Current Year Claims</u>	<u>Current Year Payments</u>	<u>June 30</u>
2002	58,927	186,430	179,181	66,176
2003	66,176	177,087	207,501	35,762

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

10. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by the State Statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$93,830, \$118,255, and \$105,580, respectively. 44% has been contributed for the fiscal year 2003 and 100% for fiscal years 2002 and 2001. \$52,923 representing the unpaid contribution for the fiscal year 2003, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$398,763, 407,982, and \$403,732,

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

10. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

respectively. 83% has been contributed for the fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$66,172 representing the unpaid contribution for the fiscal year 2003, is recorded as a liability within the respective funds.

11. Post Employment Benefits

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund at year-end was \$3.011 billion. For the fiscal year ended June 30, 2002 (the latest information available), eligible benefit recipients totaled 105,300 and net health care costs paid by STRS were \$354,697,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For fiscal year 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution provides for maintenance of the asset target level for the health care fund. For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by SERS were \$182,946,777 and the target level was \$274.4 million. Net assets available for payment as of June 30, 2002 by the Retirement System were \$335.2 million, at cost. The number of participants currently receiving health care benefits is 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$82,779.

SEBRING LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

12. Segment Information For Enterprise Funds

The District maintains one enterprise fund, which provides food services to the schools. Therefore, segment information for the year ended June 30, 2003 is not presented in these notes.

13. Jointly Governed Organization

The District is a member of the Area Cooperative Computerized Educational Service system (A.C.C.E.S.S.), a jointly governed organization that provides computer services to the school districts within the boundaries of Mahoning and Columbiana counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 24 member districts. However, the degree of control exercised by any participating school district is limited to its representation on the assembly.

14. Contingencies and Commitments

*Federal Assistance*

During the fiscal year, 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

*School Funding Decision*

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school-funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

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

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



SEBRING LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003

15. Set – Aside Requirement

The District is required by State law to set aside in the General Fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2002	\$ -	\$ -	\$24,007
Current Year Set-aside Requirement	107,593	107,593	-
Qualifying Disbursements	<u>(107,593)</u>	<u>(107,593)</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,007</u>
Cash Balance Carried Forward to FY 2004			<u>\$ 24,007</u>

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>Federal Grantor/ Sub-Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Ohio Department of Education			
Title I	84.010	048355-C1-S1-02 048355-C1-S1-03	\$ 188,595 185,778
Total Title I			
Title VI-B	84.027	048355-6B-SF-02P 048355-6B-SF-03P 048355-6B-SD-03P	\$ 75,389 94,011 43,670
Total Title-VI-B			
Title VI	84.298	048355-C2-S1-02 048355-C2-S1-03	\$ 3,896 4,115
Total Title VI			
Drug Free Schools	84.186	048355-DR-S1-02 048355-DR-S1-03	\$ 2,957 4,594
Title VI-R	84.340	048355-CR-S1-02	\$ 28,299
Eisenhower Grant	84.281	048355-MS-S1-02	\$ 4,292
Title II-A	84.367	048355-TR-S1-03	\$ 64,095
Title II-D	84.318	048355-TJ-S1-03	\$ 4,947
Total U.S. Department of Education			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Ohio Department of Education			
<u>Nutrition Cluster:</u>			
National School Breakfast	10.553	-	\$ -
National School Lunch Program (B)	10.555	-	-
Food Distribution Program (C)	10.550	-	-
Total U.S. Department of Agriculture			
Total Federal Financial Assistance (A)			

<u>Balance</u> <u>07/01/02</u>	<u>Federal</u> <u>Receipts</u>	<u>Advances</u> <u>Transfers</u>	<u>Federal</u> <u>Disbursements</u>	<u>Balance</u> <u>06/30/03</u>
\$ 26,102	\$ 4,056	\$ (5,118)	\$ 25,040	\$ -
-	158,981	5,118	157,465	6,634
<u>26,102</u>	<u>163,037</u>	<u>-</u>	<u>182,505</u>	<u>6,634</u>
8,615	1,440	-	10,055	-
-	84,247	-	86,634	(2,387)
-	13,128	-	4,720	8,408
<u>8,615</u>	<u>98,815</u>	<u>-</u>	<u>101,409</u>	<u>6,021</u>
2,766	-	-	2,766	-
-	4,115	-	4,115	-
<u>2,766</u>	<u>4,115</u>	<u>-</u>	<u>6,881</u>	<u>-</u>
749	-	-	749	-
-	4,594	-	4,594	-
<u>749</u>	<u>4,594</u>	<u>-</u>	<u>5,343</u>	<u>-</u>
7,924	-	-	7,924	-
979	-	-	979	-
-	43,235	-	54,977	(11,742)
-	4,947	-	4,947	-
<u>47,135</u>	<u>318,743</u>	<u>-</u>	<u>364,965</u>	<u>913</u>
-	18,938	-	18,938	-
-	87,643	-	87,643	-
1,133	14,278	-	15,411	-
<u>1,133</u>	<u>120,859</u>	<u>-</u>	<u>121,992</u>	<u>-</u>
<u>\$ 48,268</u>	<u>\$ 439,602</u>	<u>\$ -</u>	<u>\$ 486,957</u>	<u>\$ 913</u>

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

(Continued)

- (A) Schedule is presented on a cash basis. Federal Financial Assistance is determined to be on a first-in, first-out basis.
- (B) Amounts are commingled with non-federal money. Noncash transactions are determined to be on a first-in, first-out basis.
- (C) Dollar amounts reflected are market values assigned by the District for commodities.

# Nagel, Weigand & Company, LLC

## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Sebring Local School District  
Sebring, Ohio 44672

We have audited the financial statements of the Sebring Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

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

### **Internal Control Over Financial Reporting**

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

**Sebring Local School District  
Mahoning County**

in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated December 17, 2003.

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

December 17, 2003

*Nagel, Weigand & Company, LLC*

# Nagel, Weigand & Company, LLC

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Sebring Local School District  
Sebring, Ohio 44672

### Compliance

We have audited the compliance of the Sebring Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Sebring Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

**Sebring Local School District  
Mahoning County**

**Internal Control Over Compliance**

The management of the Sebring Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

December 17, 2003

*Nagel, Weigand & Company, LLC*



SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2003

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Sebring Local School District.
2. No reportable conditions were disclosed during the audit of the financial statements of the Sebring Local School District.
3. No instances of noncompliance material to the financial statements of the Sebring Local School District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Sebring Local School District expresses an unqualified opinion.
6. No audit findings relative to the major programs for the Sebring Local School District were disclosed during the audit.
7. The programs tested as major included: Nutrition Cluster(10.555, 10.553, 10.550).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Sebring Local School District was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

SEBRING LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

GENERAL COMMENTS

The report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on December 17, 2003:

Harry Hill     Treasurer

These officials were informed that they had five working days for the Auditor of State and sixty days for the federal government from the date of the post audit conference to respond to, or contest, in writing, the report contents. No such response was received.

School District personnel were very cooperative and available for questions and assistance during regular working hours.



**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**SEBRING LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2004**