



**Auditor of State
Betty Montgomery**

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

South Range Local School District
Mahoning County
11836 South Avenue
North Lima, Ohio 44452

To the Board of Education;

We have audited the accompanying general-purpose financial statements of the South Range Local School District, Mahoning County, (the 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 South Range Local School District, Mahoning County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During fiscal year 2003, the District changed its capitalization threshold for capital assets from \$500 to \$2,000. The General Fixed Asset Account Group balance and retained earnings in the Enterprise Fund at July 1, 2002 have been restated to report the effect of the change in accounting principle. See Note 3A and Note 8 to the general-purpose financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003 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 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.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003

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SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 1,166,465	\$ 85,004	\$ 1,439,558	\$ 71,173
Receivables (net of allowances of uncollectibles):				
Property taxes-current and delinquent	3,878,927	-	577,687	38,579
Accounts	-	247	-	-
Interfund loans receivable	41,687	-	-	-
Due from other governments	-	69,233	-	-
Materials and supplies inventory	9,956	-	-	-
Prepayments	9,027	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	108,228	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 5,214,290</u>	<u>\$ 154,484</u>	<u>\$ 2,017,245</u>	<u>\$ 109,752</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 5,139	\$ 9,972	\$ -	\$ -
Accrued wages and benefits	754,233	27,184	-	-
Compensated absences payable	13,626	-	-	-
Pension obligation payable	123,828	-	-	-
Interfund loans payable	-	41,687	-	-
Deferred revenue	3,878,927	40,603	577,687	38,579
Due to other governments	27,298	1,731	-	-
Due to students	-	-	-	-
Obligation under capital lease	-	-	-	-
General obligation bonds payable	-	-	-	-
Total liabilities	<u>4,803,051</u>	<u>121,177</u>	<u>577,687</u>	<u>38,579</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	33,880	27,530	-	1,200
Reserved for materials and supplies inventory	9,956	-	-	-
Reserved for prepayments	9,027	-	-	-
Reserved for debt service	-	-	1,439,558	-
Reserved for capital maintenance	59,147	-	-	-
Reserved for school bus purchases	49,081	-	-	-
Unreserved-undesignated	250,148	5,777	-	69,973
Total equity and other credits	<u>411,239</u>	<u>33,307</u>	<u>1,439,558</u>	<u>71,173</u>
Total liabilities, equity and other credits	<u>\$ 5,214,290</u>	<u>\$ 154,484</u>	<u>\$ 2,017,245</u>	<u>\$ 109,752</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 21,615	\$ 46,188	\$ -	\$ -	\$ 2,830,003
-	-	-	-	4,495,193
-	-	-	-	247
-	-	-	-	41,687
10,824	-	-	-	80,057
10,130	-	-	-	20,086
135	-	-	-	9,162
-	-	-	-	108,228
15,755	-	6,738,719	-	6,754,474
-	-	-	1,439,558	1,439,558
-	-	-	2,108,876	2,108,876
<u>\$ 58,459</u>	<u>\$ 46,188</u>	<u>\$ 6,738,719</u>	<u>\$ 3,548,434</u>	<u>\$ 17,887,571</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,111
14,103	-	-	-	795,520
12,066	-	-	443,577	469,269
20,891	-	-	91,963	236,682
-	-	-	-	41,687
-	-	-	-	4,535,796
526	-	-	-	29,555
-	45,928	-	-	45,928
-	-	-	32,894	32,894
-	-	-	2,980,000	2,980,000
<u>47,586</u>	<u>45,928</u>	<u>-</u>	<u>3,548,434</u>	<u>9,182,442</u>
-	-	6,738,719	-	6,738,719
10,873	-	-	-	10,873
-	-	-	-	62,610
-	-	-	-	9,956
-	-	-	-	9,027
-	-	-	-	1,439,558
-	-	-	-	59,147
-	-	-	-	49,081
-	260	-	-	326,158
<u>10,873</u>	<u>260</u>	<u>6,738,719</u>	<u>-</u>	<u>8,705,129</u>
<u>\$ 58,459</u>	<u>\$ 46,188</u>	<u>\$ 6,738,719</u>	<u>\$ 3,548,434</u>	<u>\$ 17,887,571</u>

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SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 3,448,614	\$ -	\$ 520,196	\$ 33,365	\$ -	\$ 4,002,175
Earnings on investments	47,545	-	-	-	-	47,545
Extracurricular	-	149,275	-	-	-	149,275
Other local revenues	66,865	29,286	-	-	-	96,151
Intergovernmental-State	4,830,351	20,753	67,704	4,380	-	4,923,188
Intergovernmental-Federal	-	427,821	-	-	-	427,821
Total revenues	<u>8,393,375</u>	<u>627,135</u>	<u>587,900</u>	<u>37,745</u>	<u>-</u>	<u>9,646,155</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,140,423	265,470	-	-	-	4,405,893
Special	746,480	15,787	-	-	-	762,267
Vocational	144,504	-	-	-	-	144,504
Support services:						
Pupil	231,737	6,626	-	-	-	238,363
Instructional staff	413,540	96,583	-	7,158	-	517,281
Board of Education	51,362	-	-	-	-	51,362
Administration	683,744	52,993	-	-	-	736,737
Fiscal	279,942	-	9,283	632	-	289,857
Operations and maintenance	825,202	1,134	-	-	-	826,336
Pupil transportation	688,317	58,476	-	-	-	746,793
Central	74,423	10,000	-	-	-	84,423
Community services	1,446	-	-	-	-	1,446
Extracurricular activities	166,589	181,940	-	-	-	348,529
Facilities acquisition and construction	115,959	-	-	59,025	-	174,984
Capital outlay	32,894	-	-	-	-	32,894
Debt service:						
Principal retirement	-	-	135,000	-	-	135,000
Interest and fiscal charges	-	-	188,182	-	-	188,182
Total expenditures	<u>8,596,562</u>	<u>689,009</u>	<u>332,465</u>	<u>66,815</u>	<u>-</u>	<u>9,684,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(203,187)</u>	<u>(61,874)</u>	<u>255,435</u>	<u>(29,070)</u>	<u>-</u>	<u>(38,696)</u>
Other financing sources (uses):						
Operating transfers out	(749)	-	-	-	-	(749)
Proceeds from capital lease transaction	32,894	-	-	-	-	32,894
Proceeds from sale of fixed assets	1,314	-	-	-	-	1,314
Total other financing sources (uses)	<u>33,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,459</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(169,728)</u>	<u>(61,874)</u>	<u>255,435</u>	<u>(29,070)</u>	<u>-</u>	<u>(5,237)</u>
Fund balances, July 1	584,693	95,181	1,184,123	100,243	260	1,964,500
Decrease in reserve for inventory	(3,726)	-	-	-	-	(3,726)
Fund balances, June 30	<u>\$ 411,239</u>	<u>\$ 33,307</u>	<u>\$ 1,439,558</u>	<u>\$ 71,173</u>	<u>\$ 260</u>	<u>\$ 1,955,537</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 3,448,614	\$ 3,448,614	\$ -	\$ -	\$ -	\$ -
Earnings on investments	46,640	47,545	905	-	-	-
Extracurricular	-	-	-	147,967	149,236	1,269
Other local revenues.	65,338	66,607	1,269	29,037	29,286	249
Intergovernmental - State.	4,738,357	4,830,351	91,994	20,576	20,753	177
Intergovernmental - Federal	-	-	-	395,796	399,191	3,395
Total revenues.	<u>8,298,949</u>	<u>8,393,117</u>	<u>94,168</u>	<u>593,376</u>	<u>598,466</u>	<u>5,090</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,066,590	4,111,577	(44,987)	260,222	256,511	3,711
Special.	740,817	749,012	(8,195)	31,361	30,914	447
Vocational.	141,269	142,832	(1,563)	-	-	-
Support services:						
Pupil.	228,826	231,357	(2,531)	6,721	6,625	96
Instructional staff.	404,594	409,070	(4,476)	96,210	94,838	1,372
Board of Education	50,674	51,235	(561)	-	-	-
Administration	681,895	689,439	(7,544)	53,612	52,848	764
Fiscal.	284,543	287,691	(3,148)	-	-	-
Operations and maintenance	836,165	845,415	(9,250)	1,150	1,134	16
Pupil transportation	679,808	687,329	(7,521)	59,158	58,314	844
Central.	72,564	73,367	(803)	10,145	10,000	145
Community services	1,428	1,444	(16)	-	-	-
Extracurricular activities	164,251	166,068	(1,817)	199,641	196,794	2,847
Facilities acquisition and construction	124,604	125,982	(1,378)	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,478,028</u>	<u>8,571,818</u>	<u>(93,790)</u>	<u>718,220</u>	<u>707,978</u>	<u>10,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(179,079)</u>	<u>(178,701)</u>	<u>378</u>	<u>(124,844)</u>	<u>(109,512)</u>	<u>15,332</u>
Other financing sources (uses):						
Advances in	9,931	10,124	193	41,332	41,687	355
Advances out.	(41,231)	(41,687)	(456)	(10,270)	(10,124)	146
Operating transfers out.	(741)	(749)	(8)	-	-	-
Proceeds from sale of fixed assets	1,289	1,314	25	-	-	-
Refund of prior year expenditure.	253	258	5	-	-	-
Total other financing sources (uses)	<u>(30,499)</u>	<u>(30,740)</u>	<u>(241)</u>	<u>31,062</u>	<u>31,563</u>	<u>501</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(209,578)</u>	<u>(209,441)</u>	<u>137</u>	<u>(93,782)</u>	<u>(77,949)</u>	<u>15,833</u>
Fund balances, July 1	1,323,052	1,323,052	-	108,866	108,866	-
Prior year encumbrances appropriated	122,598	122,598	-	18,381	18,381	-
Fund balances, June 30	<u>\$ 1,236,072</u>	<u>\$ 1,236,209</u>	<u>\$ 137</u>	<u>\$ 33,465</u>	<u>\$ 49,298</u>	<u>\$ 15,833</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 520,196	\$ 520,196	\$ -	\$ 33,365	\$ 33,365	\$ -	\$ 4,002,175	\$ 4,002,175	\$ -
-	-	-	-	-	-	46,640	47,545	905
-	-	-	-	-	-	147,967	149,236	1,269
-	-	-	-	-	-	94,375	95,893	1,518
67,704	67,704	-	3,450	4,380	930	4,830,087	4,923,188	93,101
-	-	-	-	-	-	395,796	399,191	3,395
<u>587,900</u>	<u>587,900</u>	<u>-</u>	<u>36,815</u>	<u>37,745</u>	<u>930</u>	<u>9,517,040</u>	<u>9,617,228</u>	<u>100,188</u>
-	-	-	-	-	-	4,326,812	4,368,088	(41,276)
-	-	-	-	-	-	772,178	779,926	(7,748)
-	-	-	-	-	-	141,269	142,832	(1,563)
-	-	-	-	-	-	235,547	237,982	(2,435)
-	-	-	8,417	8,358	59	509,221	512,266	(3,045)
-	-	-	-	-	-	50,674	51,235	(561)
-	-	-	-	-	-	735,507	742,287	(6,780)
9,283	9,283	-	636	632	4	294,462	297,606	(3,144)
-	-	-	-	-	-	837,315	846,549	(9,234)
-	-	-	-	-	-	738,966	745,643	(6,677)
-	-	-	-	-	-	82,709	83,367	(658)
-	-	-	-	-	-	1,428	1,444	(16)
-	-	-	-	-	-	363,892	362,862	1,030
-	-	-	59,442	59,025	417	184,046	185,007	(961)
135,000	135,000	-	-	-	-	135,000	135,000	-
188,182	188,182	-	-	-	-	188,182	188,182	-
<u>332,465</u>	<u>332,465</u>	<u>-</u>	<u>68,495</u>	<u>68,015</u>	<u>480</u>	<u>9,597,208</u>	<u>9,680,276</u>	<u>(83,068)</u>
<u>255,435</u>	<u>255,435</u>	<u>-</u>	<u>(31,680)</u>	<u>(30,270)</u>	<u>1,410</u>	<u>(80,168)</u>	<u>(63,048)</u>	<u>17,120</u>
-	-	-	-	-	-	51,263	51,811	548
-	-	-	-	-	-	(51,501)	(51,811)	(310)
-	-	-	-	-	-	(741)	(749)	(8)
-	-	-	-	-	-	1,289	1,314	25
-	-	-	-	-	-	253	258	5
-	-	-	-	-	-	563	823	260
255,435	255,435	-	(31,680)	(30,270)	1,410	(79,605)	(62,225)	17,380
1,184,123	1,184,123	-	90,090	90,090	-	2,706,131	2,706,131	-
-	-	-	10,153	10,153	-	151,132	151,132	-
<u>\$ 1,439,558</u>	<u>\$ 1,439,558</u>	<u>\$ -</u>	<u>\$ 68,563</u>	<u>\$ 69,973</u>	<u>\$ 1,410</u>	<u>\$ 2,777,658</u>	<u>\$ 2,795,038</u>	<u>\$ 17,380</u>

SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$ 1,151
Sales and charges for services	204,870
Total operating revenues	206,021
Operating expenses:	
Personal services	167,021
Contract services	4,810
Materials and supplies	144,961
Depreciation	2,177
Other	912
Total operating expenses	319,881
Operating loss	(113,860)
Nonoperating revenues:	
Operating grants	76,235
Federal commodities	28,256
Total nonoperating revenues	104,491
Net loss before operating transfers	(9,369)
Operating transfers in	749
Net loss	(8,620)
Retained earnings, July 1 (Restated)	19,493
Retained earnings, June 30	\$ 10,873

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 1,151
Cash received from sales and service charges	204,870
Cash payments for personal services.	(163,904)
Cash payments for contract services	(4,810)
Cash payments for materials and supplies	(122,020)
Cash payments for other operations	(912)
	(85,625)
Net cash used in operating activities	(85,625)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	77,042
Cash received from transfers.	749
	77,791
Net cash provided by noncapital financing activities.	77,791
Net decrease in cash and cash equivalents	(7,834)
Cash and cash equivalents at beginning of year	29,449
Cash and cash equivalents at end of year	\$ 21,615
Reconciliation of operating loss	
to net cash used in operating activities:	
Operating loss	\$ (113,860)
Adjustments to reconcile operating loss	
to net cash used in operating activities:	
Depreciation	2,177
Federal donated commodities.	28,256
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	64
Increase in accrued wages and benefits	1,180
Increase in compensated absences payable	508
Increase in pension obligation payable	1,327
Increase in due to other governments	102
Decrease in deferred revenue	(5,379)
	(85,625)
Net cash used in operating activities	\$ (85,625)
Noncash investing, capital and financing activities:	
Federal donated commodities.	\$ 28,256

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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 is the 414th largest in the State of Ohio (among the 740 public and community school districts in the state) in terms of enrollment. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District is staffed by 64 non-certificated and 87 certificated personnel to provide services to approximately 1,331 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of 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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 22 school districts and 2 county educational service centers. ACCESS was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized. ACCESS is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in ACCESS. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507-1693.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

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 possesses 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 "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

GOVERNMENTAL FUNDS

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 liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The 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 expenditures for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

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 where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and an agency fund. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.C. for agency fund accruals at June 30, 2003 which, in another fund type, would be recognized in the combined balance sheet.

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 general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (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 operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 2003 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2004 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue.

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. 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 2003 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. 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 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. 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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. 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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

7. Appropriation 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 of Education prior to June 30, 2003.
8. 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.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 12 provides disclosure of the encumbrances outstanding for enterprise funds at fiscal year-end.

E. Cash and Investments

To improve cash management, 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 the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to STAR Ohio and a repurchase agreement. 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, OHIO**

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

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

The District invested funds in STAR Ohio during fiscal 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, which is the price the investment could be sold for on June 30, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically assigned to another fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$47,545, which includes \$25,516 assigned from other District funds.

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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

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

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$2,000 and a useful life of less than five years. The District increased its capitalization threshold from \$500 to \$2,000 for fiscal 2003. See Note 3.A. for the effect of the capitalization threshold increase. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5 - 20

G. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 severance 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 the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, capital maintenance and school bus purchases. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

K. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year. The District had short-term interfund loans receivable and payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 2003.

An analysis of the District's interfund transactions for fiscal year 2003 is presented in Note 5.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

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

L. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

M. Estimates

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

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 17 for details.

O. Memorandum Only - Total Columns

Total columns on the GPFS 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 changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in the Application of an Accounting Principle

During fiscal 2003, the District changed its capitalization threshold from \$500 to \$2,000. A prior period adjustment is required to report the effect of this capitalization change. The general fixed asset account group balance at June 30, 2002 has been restated from \$7,652,999 to \$6,437,902 (see Note 8). The change in the application of an accounting principle also had the following effect on retained earnings in the Food Service enterprise fund as previously reported at June 30, 2002:

	<u>Enterprise</u>
Retained earnings as of June 30, 2002	\$ 31,021
Restatement for change in capitalization threshold	<u>(11,528)</u>
Restated retained earnings as of July 1, 2002	<u>\$ 19,493</u>

B. Deficit Fund Balances

Fund balance at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Ohio Reads	\$ 19
IDEA Part B Grants	743
Title I	18,744
Improving Teacher Quality	5,494

These funds complied with Ohio state law, which does not permit a cash deficit at year-end. The deficit fund balance in these funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by future intergovernmental revenues and other subsidies not recognized at June 30.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

ASSETS

Accounts receivable	\$ 525
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LIABILITIES

Accounts payable	1,095
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

Active deposits are public deposits necessary to meet certain 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 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 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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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 money deposited with the institution.

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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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;

**SOUTH RANGE LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year-end, the District had \$1,010 in undeposited cash on hand, which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Deposits: At year-end the carrying amount of the District's deposits was \$(80,513) and the bank balance was \$0. A liability was not 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 account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments". The entire bank balance was covered by federal depository insurance.

Investments: Investments are categorized to give an indication of the level of risk assumed by the District at 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 uninsured and unregistered investments for which the securities 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. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Repurchase agreement	\$926,500	\$ 926,500
Investment in STAR Ohio	-	<u>2,091,234</u>
Total investments	<u>\$926,500</u>	<u>\$3,017,734</u>

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of pooled cash and cash equivalents on the combined financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investment</u>
GASB Statement No. 9	\$ 2,938,231	\$ -
Investments of the cash management pool:		
Repurchase agreement	(926,500)	926,500
Investment in STAR Ohio	(2,091,234)	2,091,234
Cash on hand	<u>(1,010)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (80,513)</u>	<u>\$3,017,734</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a breakdown of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$749
<u>Enterprise Fund</u>		
Uniform School Supplies	<u>749</u>	<u>-</u>
Total	<u>\$749</u>	<u>\$749</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a breakdown of the District's interfund loans at June 30, 2003:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$41,687	\$ -
<u>Special Revenue Funds</u>		
IDEA Part B Grants	-	12,677
Drug-Free School Grant	-	380
Improving Teacher Quality	-	28,630
Total	\$41,687	\$41,687

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$131,520,140. Agricultural/residential and public utility/minerals real estate represented \$97,894,650 or 74.43% of this total, commercial & industrial real estate represented \$18,875,750 or 14.35% of this total, public utility tangible represented \$7,071,580 or 5.38% of this total and general tangible property represented \$7,678,160 or 5.84% of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$48.45 per \$1,000.00 of assessed valuation for operations, \$4.50 per \$1,000.00 of assessed valuation for debt retirement, and \$0.70 per \$1,000.00 of assessed valuation for permanent improvements.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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.

The Mahoning County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The Mahoning County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Mahoning County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The Mahoning County Auditor periodically remits to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, 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, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no tax advances available at June 30, 2003.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts, interfund loans, and intergovernmental state and federal revenues (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. 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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,878,927
Interfund loans	41,687
<u>Special Revenue Funds</u>	
Due from other governments	69,233
<u>Debt Service Fund</u>	
Taxes - current and delinquent	577,687
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	38,579
<u>Enterprise Funds</u>	
Due from other governments	10,824

NOTE 8 - FIXED ASSETS

The balance of the general fixed assets account group has been restated to reflect an increase in the District's capitalization threshold (see Note 3.A.) A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Restated Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Land/improvements	\$ 65,901	\$ -	\$ -	\$ 65,901
Buildings/improvements	5,234,584	-	-	5,234,584
Furniture/equipment	419,912	256,699	(12,889)	663,722
Vehicles	<u>717,505</u>	<u>57,007</u>	<u>-</u>	<u>774,512</u>
Total	<u>\$6,437,902</u>	<u>\$313,706</u>	<u>\$(12,889)</u>	<u>\$6,738,719</u>

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture/equipment	\$ 47,526
Less: accumulated depreciation	<u>(31,771)</u>
Net fixed assets	<u>\$ 15,755</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2003, the District entered into a capital lease for the acquisition of copiers. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the lease was accounted for as an other financing source and a capital outlay expenditure in the general fund. Capital lease payments will be reclassified and will be reflected as debt service expenditures on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures will be reflected as program/function expenditures on a budgetary basis. The general fixed assets acquired by this capital lease have been capitalized in the general fixed assets account group in the amount of \$32,894, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability has been recorded in the general long-term obligations account group. There were no principal payments made during fiscal year 2003.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003.

<u>Year Ending</u> <u>June 30</u>	<u>Computers</u>
2003	\$17,147
2004	<u>17,147</u>
Total future minimum lease payments	34,294
Less: amount representing interest	<u>(1,400)</u>
Present value of future minimum lease payments	<u>\$32,894</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The general obligation bond outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. The source of payment is derived from a current 5.10 mill bonded debt tax levy.

Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The unmatured obligation is accounted for in the general long-term obligations account group.

The following is a description of the District's long-term obligation outstanding as of June 30, 2003:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2002</u>	<u>Retired in 2003</u>	<u>Outstanding June 30, 2003</u>
General obligation bond	6.19%	09/24/93	12/01/18	<u>\$3,115,000</u>	<u>\$(135,000)</u>	<u>\$2,980,000</u>

- B. The following is a description of the District's future annual debt service requirements to maturity for the general obligation bond:

<u>Fiscal Year Ending June 30</u>	<u>Principal on General Obligation Bond</u>	<u>Interest on General Obligation Bond</u>	<u>Total</u>
2004	\$ 150,000	\$ 178,920	\$ 328,920
2005	130,000	170,048	300,048
2006	135,000	161,899	296,899
2007	150,000	153,135	303,135
2008	160,000	143,603	303,603
2009 - 2013	935,000	554,269	1,489,269
2014 - 2018	1,075,000	244,925	1,319,925
2019	<u>245,000</u>	<u>7,531</u>	<u>252,531</u>
Total	<u>\$2,980,000</u>	<u>\$1,614,330</u>	<u>\$4,594,330</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2003</u>
Compensated absences	\$ 452,855	\$ -	\$ (9,278)	\$ 443,577
Pension benefit obligation	88,547	91,963	(88,547)	91,963
General obligation bonds	3,115,000	-	(135,000)	2,980,000
Capital lease obligation	<u>-</u>	<u>32,894</u>	<u>-</u>	<u>32,894</u>
Total	<u>\$3,656,402</u>	<u>\$124,857</u>	<u>\$(232,825)</u>	<u>\$3,548,434</u>

D. Legal Debt Margin

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 effects of these debt limitations at June 30, 2003 are a voted debt margin of \$10,296,371 (including available funds of \$1,439,558) and an unvoted debt margin of \$131,520.

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 limits are \$19,600,173. The business auto coverage limits are \$1,000,000 for liability and \$1,000,000 for uninsured motorists.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

The District has a liability insurance coverage limit of \$1,000,000 per claim and \$5,000,000 annual aggregate.

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

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 13 member school districts. The plan was organized to provide life insurance, health care and other 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 District is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 is covered by the District's stop-loss carrier, PFL Aegon.

The District pays the insurance premiums for the classified employees. The District pays the insurance premiums for the certified employees, except for 10% of their dental insurance premium, which is paid by the employees.

The health and dental coverage is administered by Professional Risk Management, a third party administrator. Kanawha Life Insurance Company provides the life insurance coverage.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of The Sheakley Group Companies, 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.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Total operating revenues	\$ 204,870	\$1,151	\$ 206,021
Depreciation	2,177	-	2,177
Total operating expenses	317,981	1,900	319,881
Operating loss	(113,111)	(749)	(113,860)
Operating grants	76,235	-	76,235
Federal donated commodities	28,256	-	28,256
Operating transfers in	-	749	749
Net loss	(8,620)	-	(8,620)
Net working capital	16,903	-	16,903
Total assets	58,459	-	58,459
Total liabilities	47,586	-	47,586
Total equity	10,873	-	10,873

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 13 - 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 defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$162,507, \$160,515, and \$154,906, respectively; 38.42% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$100,068 represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$594,101, \$564,193, and \$531,506, respectively; 84.14% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$94,196 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$42,436 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$93,656 during the 2003 fiscal year.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing Sources
Over/(Under) Expenditures and Other
Financing Uses**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget basis	\$(209,441)	\$(77,949)	\$255,435	\$(30,270)
Net adjustment for revenue accruals	258	28,669	-	-
Net adjustment for expenditure accruals	(63,228)	(16,737)	-	-
Net adjustment for other financing sources/(uses)	64,199	(31,563)	-	-
Encumbrances (budget basis)	<u>38,484</u>	<u>35,706</u>	<u>-</u>	<u>1,200</u>
GAAP basis	<u>\$(169,728)</u>	<u>\$(61,874)</u>	<u>\$255,435</u>	<u>\$(29,070)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

There is no current litigation pending, which would have a material effect on the financial statements.

C. State 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 plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient ...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain 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 Maintenance</u>
Set-aside cash balance as of June 30, 2002	\$(161,282)	\$ (4,521)
Current year set-aside	178,128	178,128
Qualifying disbursements	<u>(168,468)</u>	<u>(114,460)</u>
Total	<u>\$(151,622)</u>	<u>\$ 59,147</u>
Cash balance carried forward to FY 2004	<u>\$(151,622)</u>	<u>\$ 59,147</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

NOTE 17 - STATUTORY RESERVES - (Continued)

The District had qualifying textbooks and capital maintenance set-aside carryovers of \$(151,622) and \$59,147, respectively, which are carried forward to fiscal 2004.

In addition to the above statutory reserves, the District also received monies restricted by State statute for school bus purchases.

The following is a summary of restricted assets at June 30, 2003:

Amount restricted for capital maintenance	\$ 59,147
Amount restricted for school bus purchases	<u>49,081</u>
Total restricted assets	<u>\$108,228</u>

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENT

On October 21, 2003, in accordance with Resolution No. 108-03, the District gave notice of the irrevocable call of certain of the captioned bonds that were outstanding and scheduled to mature on December 1, 2018 for optional redemption on December 1, 2003 at the redemption price equal to 102% of the principal amount of bonds being so redeemed, plus interest accrued to the redemption date. On November 13, 2003, the District issued a warrant in the amount of \$1,445,497.50 in order to redeem the bonds and pay all interest and fiscal charges incurred as of the redemption date. In December 1, 2003, the aforesaid bonds were redeemed.

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$28,256		\$28,256
National School Lunch Program	LLP1-2002	10.555	19,760		19,760	
	LLP4-2003	10.555	53,841		53,841	
Total U.S. Department of Agriculture - Nutrition Cluster			73,601	28,256	73,601	28,256
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-1996	84.010			978	
	C1-S1-2002	84.010	34,165		24,041	
	C1-S1-2003	84.010	113,572		112,128	
Total Grants to Local Educational Agencies			147,737		137,147	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)						
	6BSF-2002-P	84.027	59,460		84,325	
	6BSF-2003-P	84.027	112,343		112,343	
	6BSD-2003-P	84.027	15,000		5,541	
Total Special Education Cluster			186,803		202,209	
Drug - Free Schools Grant	DR-S1-2003	84.186	5,264		4,930	
Goals 2000 - State and Local Education Systematic Improvement Grants						
	STW-1999-FED	84.276			4	
	G2-59-2001	84.276			10,000	
Innovative Educational Program Strategies	C2-S1-2003	84.298	7,105		9,037	
Technology Literacy Challenge Grants	TJ-S1-2003	84.318	3,263		3,263	
Class Size Reduction	CR-S1-2002	84.340	22,657		31,481	
School Renovation Grants	AT-S4-2002	84.352A	5,127			
Improving Teacher Quality State Grants	TR-S1-2003	84.367	21,235		49,865	
Learn and Serve America School and Community Based Programs	SV-S2-1998	94.004			25	
Total Department of Education			399,191		447,961	
Totals			472,792	\$28,256	521,562	\$28,256

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

South Range Local School District
Mahoning County
11836 South Avenue
North Lima, Ohio 44452

We have audited the financial statements of the South Range Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 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 South Range Local School 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 South Range Local School 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 of 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. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in the report, that we have reported to management of the South Range Local School District in a separate letter dated December 15, 2003.

South Range Local School District
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

This report is intended for the information and use of management, the Board of Education, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

South Range Local School District
Mahoning County
11836 South Avenue
North Lima, Ohio 44452

To the Board of Education:

Compliance

We have audited the compliance of South Range 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 its major federal program for the year ended June 30, 2003. South Range Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of South Range Local School District's management. Our responsibility is to express an opinion on South Range Local School District's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of South Range 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 South Range Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the Board of Education, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505¹**

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster/ Special Grants to States (IDEA Part B) CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2003**

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

Finding Number	
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Title of Finding

Finding Number	
CFDA Title and Number	
Federal Award Number / Year	
Federal Agency	
Pass-Through Agency	

None



**Auditor of State
Betty Montgomery**

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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
MARCH 4, 2004**