

Sebring Local School District
Mahoning County, Ohio

Single Audit

July 1, 2007 through June 30, 2008
Fiscal Year Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Education
Sebring Local School District
510 North 14th Street
Sebring, Ohio 44672

We have reviewed the *Independent Auditor's Report* of the Sebring Local School District, Mahoning County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 26, 2010

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Sebring Local School District
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Independent Auditor's Report

Members of the Board
Sebring Local School District
510 North 14th Street
Sebring, OH 44672

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sebring Local School District (the School District), Mahoning County, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

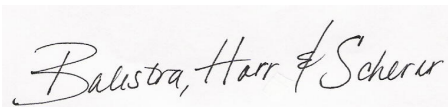
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB statements No. 25 and No. 27*, and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 28, 2009

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The Management's Discussion and Analysis of the Sebring Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$29,888 which represents less than a one percent decrease from fiscal year 2007.
- General revenues accounted for \$6,341,270 in revenue or 84.4 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,176,188 or 15.6 percent of total revenues of \$7,517,458.
- The District had \$7,547,346 in expenses related to governmental activities; only \$1,176,188 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,341,270 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement debt service fund. The general fund balance increased \$379,094, or approximately 160 percent during the fiscal year. The bond retirement debt service fund balance increased \$57,689 or 20 percent.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies.

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

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Management's Discussion and Analysis
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Unaudited

The District as a Whole

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

The table below provides a summary of the District's net assets for fiscal year 2008 and 2007.

	Net Assets		
	Governmental Activities 2008	Governmental Activities 2007	Increase (Decrease)
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
<u>Assets</u>			
Current and other assets	\$3,478,442	\$3,392,536	\$85,906
Capital assets, net	<u>12,205,912</u>	<u>12,719,787</u>	<u>(513,875)</u>
Total assets	<u>15,684,354</u>	<u>16,112,323</u>	<u>(427,969)</u>
<u>Liabilities</u>			
Current liabilities	2,030,415	2,320,705	(290,290)
Long-term liabilities	<u>1,757,948</u>	<u>1,865,739</u>	<u>(107,791)</u>
Total liabilities	<u>3,788,363</u>	<u>4,186,444</u>	<u>(398,081)</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	10,850,912	11,304,787	(453,875)
Restricted	620,098	624,185	(4,087)
Unrestricted	<u>424,981</u>	<u>(3,093)</u>	<u>428,074</u>
Total net assets	<u>\$11,895,991</u>	<u>\$11,925,879</u>	<u>(\$29,888)</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$11,895,991. The slight decrease in net assets of \$29,888 is due to an overall conservative approach by the District to continue to reduce expenses while trying to increase revenue, most notably with the passage of the School District income tax in a previous year.

At year-end, capital assets represented 77.8 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, library books and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$10,850,912. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$620,098, represents resources that are subject to external restriction on how they may be used.

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The table below shows the change in net assets for fiscal year 2008 and 2007.

Table 2
Change in Net Assets
Governmental Activities

	2008	2007	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$589,172	\$222,829	\$366,343
Operating Grants and Contributions	585,147	637,780	(52,633)
Capital Grants and Contributions	1,869	3,536	(1,667)
<i>Total Program Revenues</i>	<u>1,176,188</u>	<u>864,145</u>	<u>312,043</u>
General Revenues			
Property Taxes	1,506,750	1,665,803	(159,053)
Income Tax	397,414	98,098	299,316
Intergovernmental	4,320,868	4,207,595	113,273
Investment Earnings	59,310	83,539	(24,229)
Miscellaneous	56,928	59,029	(2,101)
<i>Total General Revenues</i>	<u>6,341,270</u>	<u>6,114,064</u>	<u>227,206</u>
<i>Total Revenues</i>	<u>7,517,458</u>	<u>6,978,209</u>	<u>539,249</u>
Program Expenses			
Current:			
Instruction:			
Regular	2,993,731	3,239,644	(245,913)
Special	1,570,672	1,343,391	227,281
Vocational	0	15,848	(15,848)
Other	5,833	0	5,833
Support Services:			
Pupils	174,661	151,697	22,964
Instructional Staff	242,427	228,770	13,657
Board of Education	21,276	11,638	9,638
Administration	679,207	573,558	105,649
Fiscal	274,999	258,954	16,045
Operation and Maintenance of Plant	839,938	803,887	36,051
Pupil Transportation	137,504	150,974	(13,470)
Central	1,234	954	280
Operation of Food Services	298,333	274,265	24,068
Extracurricular Activities	225,019	246,214	(21,195)
Interest and Fiscal Charges	82,512	87,657	(5,145)
<i>Total Program Expenses</i>	<u>7,547,346</u>	<u>7,387,451</u>	<u>159,895</u>
<i>Change in Net Assets</i>	<u>(29,888)</u>	<u>(409,242)</u>	<u>379,354</u>
Net Assets Beginning of Year	<u>11,925,879</u>	<u>12,335,121</u>	<u>(409,242)</u>
<i>Net Assets End of Year</i>	<u>\$11,895,991</u>	<u>\$11,925,879</u>	<u>(\$29,888)</u>

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Unaudited

Governmental Activities

Net assets of the District's governmental activities decreased \$29,888. This decrease is less than one percent from the previous fiscal year, but an indicator that the District is heading in the right direction with the passage of its income tax in a previous fiscal year. Total governmental expenses of \$7,547,346 were offset by program revenues of \$1,176,188 and general revenues of \$6,341,270. Program revenues supported 15.6 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 77.5 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$4,570,236 or 60.6 percent of total governmental expenses. Support service expenses totaled \$2,371,246, or 31.4 percent of total governmental expenses for fiscal year 2008.

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

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$2,993,731	\$2,637,122	\$3,239,644	\$3,116,003
Special	1,570,672	1,107,900	1,343,391	992,545
Vocational	0	0	15,848	15,764
Other	5,833	0	0	0
Support services:				
Pupils	174,661	162,906	151,697	134,692
Instructional staff	242,427	240,227	228,770	228,770
Board of education	21,276	21,276	11,638	11,638
Administration	679,207	663,668	573,558	559,803
Fiscal	274,999	274,999	258,954	258,954
Operations and maintenance of plant	839,938	833,938	803,887	796,577
Pupil transportation	137,504	135,188	150,974	148,748
Central	1,234	1,234	954	954
Extracurricular activities	225,019	153,923	246,214	156,130
Operation of food services	298,333	56,265	274,265	15,071
Interest and fiscal charges	82,512	82,512	87,657	87,657
Total expenses	\$7,547,346	\$6,371,158	\$7,387,451	\$6,523,306

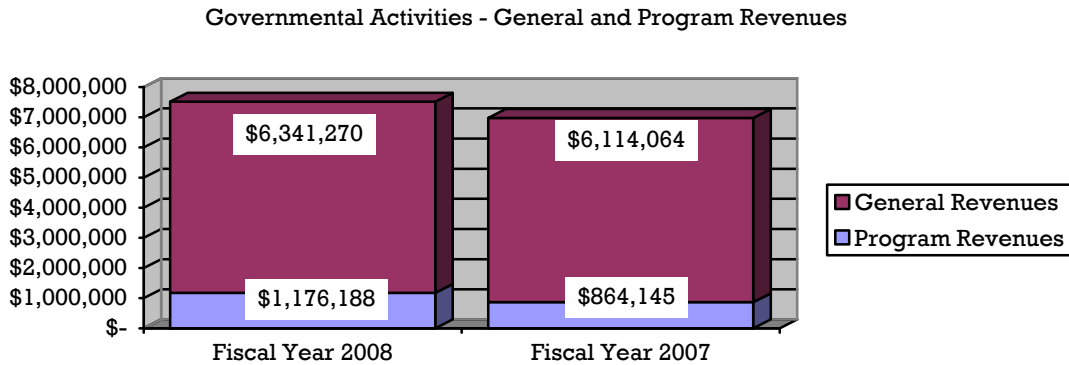
Sebring Local School District

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*Management's Discussion and Analysis
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The dependence upon unrestricted grants and entitlements and general tax revenues for governmental activities is apparent. Over 77 percent of governmental expenses are supported through unrestricted grants and entitlements and property taxes alone. With the passage of the new income tax, the community, as a whole, is by far the primary support for Sebring Local School District students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.



The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$1,196,913, which is higher than last year's total of \$832,061. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	\$614,796	\$235,702	\$379,094
Bond Retirement	345,618	287,929	57,689
Other Governmental	236,499	308,430	(71,931)
Total	\$1,196,913	\$832,061	\$364,852

General Fund

During fiscal year 2008, the District's general fund balance increased by \$379,094. The primary reason for this increase is the collection on the District's new income tax, and also an effort by the District to reduce or limit increases to expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

Sebring Local School District
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	2008 Amount	2007 Amount	Percentage Change
<u>Revenues</u>			
Taxes (Property and Income)	\$1,602,713	\$1,396,566	14.8 %
Tuition and fees	398,799	15,756	2,431.1 %
Earnings on investments	59,310	83,539	(29.0) %
Intergovernmental	4,261,719	4,153,146	2.6 %
Other revenues	30,607	23,457	30.5 %
Total	6,353,148	5,672,464	12.0 %
<u>Expenditures</u>			
Instruction	3,610,611	3,387,126	6.6 %
Support services	2,117,143	1,927,166	9.9 %
Extracurricular activities	131,809	140,862	(6.4) %
Capital outlay	114,491	0	n/a %
Total	\$5,974,054	\$5,455,154	9.5 %

Debt Service Fund

The debt service fund had \$204,155 in revenues and \$146,466 in expenditures, resulting in an increase in fund balance of \$57,689 or 20 percent from the previous fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, the final budgeted revenues were \$6,245,159, which is higher than the original budgeted revenues estimate of \$5,850,066. The final budgeted revenue amount includes revenue sources that were not anticipated at the beginning of the year, most notably, a full year of collection on the District's new income tax. Actual revenues for fiscal year 2008 were \$6,259,950, or \$14,791 higher than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$6,189,654 were increased to \$6,736,538 in the final appropriation. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$6,307,470, which was \$429,068 less than the final budget appropriations. The original and final appropriations were based on conservative estimates at the beginning of the fiscal year based upon anticipated expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$12,205,912 invested in land, land improvements, buildings and improvements, furniture and equipment, library books and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

Sebring Local School District

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

	Governmental Activities		Increase
	2008	2007	(Decrease)
Land	\$219,600	\$219,600	\$0
Land improvements	549,169	601,780	(52,611)
Building and improvements	11,120,632	11,592,748	(472,116)
Furniture, fixtures and equipment	202,589	259,155	(56,566)
Vehicles	113,922	46,504	67,418
Total	<u>\$12,205,912</u>	<u>\$12,719,787</u>	<u>(\$513,875)</u>

Total additions to capital assets for fiscal year 2008 were \$116,393 and the net effect of disposals was a decrease in capital assets of \$3,460. The overall decrease in capital assets of \$513,875 is due to annual depreciation of \$626,808 being taken on the District's assets.

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

Debt Administration

At June 30, 2008, the District had \$1,355,000 in general obligation bonds outstanding. Of this total, \$65,000 is due within one year and \$1,290,000 is due in more than one year.

See Note 16 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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

The District is faced with a very challenging financial scenario in an eroding tax environment. The overall tax valuation has decreased from \$49,537,758 in 2007 to \$48,817,739 in 2008. One mil of tax valuation is generating less and less revenue for the District. Although House Bill 66 is reimbursing the District on the loss of Personal Property Tax Revenue, the potential growth in this tax revenue is still reduced since the reimbursements are based on the 2004 base tax year. House Bill 66 greatly reduces and eliminates the potential growth in Personal Property Taxes during the phase out years. By 2018, the annual revenue stream from personal property taxes will be eliminated from the revenue sources of the District. The State of Ohio has yet to declare that the new Commercial Activity Tax will be allocated to school districts. Presently, the CAT tax is funding the hold-harmless reimbursement payments for HB66. As a result, the District can not count on the CAT tax as a future revenue source.

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

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

On a positive note, the District passed a 1 percent income tax levy on the November 2006 ballot, with collection beginning in 2007. As of the date of this report, the amount of revenue to be generated from this income tax is still not 100 percent certain. However, this passage can only help the District's overall financial position.

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

Contacting the District's Financial Management

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

Sebring Local School District

Mahoning County, Ohio

Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,564,726
Accrued Interest Receivable	1,291
Accounts Receivable	511
Intergovernmental Receivable	3,584
Income Taxes Receivable	207,400
Property Taxes Receivable	1,685,982
Inventory Held for Resale	1,446
Materials and Supplies Inventory	500
Prepaid Items	13,002
Nondepreciable Capital Assets	219,600
Depreciable Capital Assets, Net	11,986,312
<i>Total Assets</i>	<u>15,684,354</u>
Liabilities	
Accounts Payable	24,249
Accrued Wages and Benefits Payable	331,816
Intergovernmental Payable	162,444
Matured Compensated Absences Payable	49,180
Deferred Revenue	1,455,954
Accrued Interest Payable	6,772
Long-Term Liabilities:	
Due Within One Year	106,852
Due In More Than One Year	1,651,096
<i>Total Liabilities</i>	<u>3,788,363</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,850,912
Restricted for:	
Capital Projects	178,443
Debt Service	359,164
Classroom Facilities Maintenance	30,337
Public School Support	6,136
Other Purposes	20,142
Set-asides	25,876
Unrestricted	424,981
<i>Total Net Assets</i>	<u>\$11,895,991</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$2,993,731	\$259,488	\$97,121	\$0	(\$2,637,122)
Special	1,570,672	142,111	320,661	0	(1,107,900)
Other	5,833	0	5,833	0	0
Support Services:					
Pupils	174,661	0	11,755	0	(162,906)
Instructional Staff	242,427	0	2,200	0	(240,227)
Board of Education	21,276	0	0	0	(21,276)
Administration	679,207	8,836	6,703	0	(663,668)
Fiscal	274,999	0	0	0	(274,999)
Operation and Maintenance of Plant	839,938	0	6,000	0	(833,938)
Pupil Transportation	137,504	0	447	1,869	(135,188)
Central	1,234	0	0	0	(1,234)
Operation of Food Services	298,333	116,356	125,712	0	(56,265)
Extracurricular Activities	225,019	62,381	8,715	0	(153,923)
Interest and Fiscal Charges	82,512	0	0	0	(82,512)
<i>Total Governmental Activities</i>	<u>\$7,547,346</u>	<u>\$589,172</u>	<u>\$585,147</u>	<u>\$1,869</u>	<u>(6,371,158)</u>
General Revenues					
Property Taxes Levied for:					
					1,219,063
					181,318
					87,946
					18,423
					397,414
					4,320,868
					59,310
					56,928
					<u>6,341,270</u>
					(29,888)
					11,925,879
					<u>\$11,895,991</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$855,524	\$345,618	\$337,708	\$1,538,850
Accrued Interest Receivable	1,291	0	0	1,291
Accounts Receivable	250	0	261	511
Interfund Receivable	2,031	0	0	2,031
Intergovernmental Receivable	1,080	0	2,504	3,584
Income Taxes Receivable	207,400	0	0	207,400
Property Taxes Receivable	1,363,666	203,114	119,202	1,685,982
Inventory Held for Resale	0	0	1,446	1,446
Materials and Supplies Inventory	0	0	500	500
Prepaid Items	5,790	0	7,212	13,002
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	25,876	0	0	25,876
<i>Total Assets</i>	<u>\$2,462,908</u>	<u>\$548,732</u>	<u>\$468,833</u>	<u>\$3,480,473</u>
Liabilities				
Accounts Payable	\$23,409	\$0	\$840	\$24,249
Accrued Wages and Benefits Payable	247,582	0	84,234	331,816
Intergovernmental Payable	136,417	0	26,027	162,444
Matured Compensated Absences Payable	49,180	0	0	49,180
Interfund Payable	0	0	2,031	2,031
Deferred Revenue	1,391,524	203,114	119,202	1,713,840
<i>Total Liabilities</i>	<u>1,848,112</u>	<u>203,114</u>	<u>232,334</u>	<u>2,283,560</u>
Fund Balances				
Reserved for Encumbrances	119,135	0	16,635	135,770
Reserved for Bus Purchases	1,869	0	0	1,869
Reserved for Budget Stabilization	24,007	0	0	24,007
Unreserved:				
Undesignated, Reported in:				
General Fund	469,785	0	0	469,785
Special Revenue Funds	0	0	56,954	56,954
Debt Service Funds	0	345,618	0	345,618
Capital Projects Funds	0	0	162,910	162,910
<i>Total Fund Balances</i>	<u>614,796</u>	<u>345,618</u>	<u>236,499</u>	<u>1,196,913</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,462,908</u>	<u>\$548,732</u>	<u>\$468,833</u>	<u>\$3,480,473</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances		\$1,196,913
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,205,912
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Property Taxes	230,028	
Income Taxes	<u>27,858</u>	
Total		257,886
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(6,772)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,355,000)	
Compensated Absences	(397,948)	
Early Retirement Incentive	<u>(5,000)</u>	
Total		<u>(1,757,948)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$11,895,991</u></u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,213,176	\$180,326	\$105,850	\$1,499,352
Income Taxes	389,537	0	0	389,537
Tuition and Fees	398,799	0	0	398,799
Interest	59,310	0	0	59,310
Charges for Services	0	0	116,356	116,356
Extracurricular Activities	0	0	71,217	71,217
Rentals	2,800	0	0	2,800
Contributions and Donations	7,215	0	10,418	17,633
Intergovernmental	4,261,719	23,829	608,884	4,894,432
Miscellaneous	20,592	0	36,336	56,928
<i>Total Revenues</i>	<u>6,353,148</u>	<u>204,155</u>	<u>949,061</u>	<u>7,506,364</u>
Expenditures				
Current:				
Instruction:				
Regular	2,323,004	0	138,865	2,461,869
Special	1,287,607	0	329,610	1,617,217
Other	0	0	5,833	5,833
Support Services:				
Pupils	152,327	0	4,796	157,123
Instructional Staff	228,132	0	2,591	230,723
Board of Education	21,276	0	0	21,276
Administration	645,365	0	18,293	663,658
Fiscal	263,896	3,704	2,207	269,807
Operation and Maintenance of Plant	693,752	0	141,679	835,431
Pupil Transportation	111,161	0	10,580	121,741
Central	1,234	0	0	1,234
Operation of Food Services	0	0	285,907	285,907
Extracurricular Activities	131,809	0	80,229	212,038
Capital Outlay	114,491	0	1,902	116,393
Debt Service:				
Principal Retirement	0	60,000	0	60,000
Interest and Fiscal Charges	0	82,762	0	82,762
<i>Total Expenditures</i>	<u>5,974,054</u>	<u>146,466</u>	<u>1,022,492</u>	<u>7,143,012</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	379,094	57,689	(73,431)	363,352
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	0	1,500	1,500
<i>Net Change in Fund Balances</i>	379,094	57,689	(71,931)	364,852
<i>Fund Balances Beginning of Year</i>	235,702	287,929	308,430	832,061
<i>Fund Balances End of Year</i>	<u>\$614,796</u>	<u>\$345,618</u>	<u>\$236,499</u>	<u>\$1,196,913</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds: \$364,852

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

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

Capital Outlay	116,393
Current Year Depreciation	<u>(626,808)</u>

Total (510,415)

The net effect of various transactions involving capital assets
(i.e.; disposals, sales and donations) is a reduction in net assets.

Assets Disposed	(87,031)
Accumulated Depreciation on Disposals	<u>83,571</u>

Total (3,460)

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

Property Taxes	7,398
Income Taxes	7,877
Intergovernmental	<u>(4,181)</u>

Total 11,094

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

60,000

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

250

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

Compensated Absences	32,791
Early Retirement Incentive	<u>15,000</u>

Total 47,791

Change in Net Assets of Governmental Activities (\$29,888)

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,152,797	\$1,231,785	\$1,231,596	(\$189)
Income Taxes	252,939	270,270	267,701	(2,569)
Tuition and Fees	374,350	400,000	398,799	(1,201)
Interest	51,473	55,000	58,358	3,358
Rentals	2,808	3,000	2,800	(200)
Contributions and Donations	5,000	1,000	7,215	6,215
Intergovernmental	3,995,076	4,268,811	4,260,639	(8,172)
Miscellaneous	3,123	2,793	20,342	17,549
<i>Total Revenues</i>	<u>5,837,566</u>	<u>6,232,659</u>	<u>6,247,450</u>	<u>14,791</u>
Expenditures				
Current:				
Instruction:				
Regular	2,525,697	2,756,928	2,594,381	162,547
Special	1,239,013	1,347,851	1,311,501	36,350
Support Services:				
Pupils	158,772	173,514	166,832	6,682
Instructional Staff	227,496	246,856	241,685	5,171
Board of Education	15,276	16,475	15,031	1,444
Administration	652,463	712,860	679,800	33,060
Fiscal	251,439	274,661	267,212	7,449
Operation and Maintenance of Plant	674,831	734,701	705,563	29,138
Pupil Transportation	249,581	265,855	188,025	77,830
Central	925	1,000	1,234	(234)
Extracurricular Activities	144,461	156,137	136,206	19,931
<i>Total Expenditures</i>	<u>6,139,954</u>	<u>6,686,838</u>	<u>6,307,470</u>	<u>379,368</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(302,388)</u>	<u>(454,179)</u>	<u>(60,020)</u>	<u>394,159</u>
Other Financing Sources (Uses)				
Advances In	12,500	12,500	12,500	0
Advances Out	(24,700)	(24,700)	0	24,700
Transfers Out	(25,000)	(25,000)	0	25,000
<i>Total Other Financing Sources (Uses)</i>	<u>(37,200)</u>	<u>(37,200)</u>	<u>12,500</u>	<u>49,700</u>
<i>Net Change in Fund Balance</i>	<u>(339,588)</u>	<u>(491,379)</u>	<u>(47,520)</u>	<u>443,859</u>
<i>Fund Balance Beginning of Year</i>	643,267	643,267	643,267	0
<i>Prior Year Encumbrances Appropriated</i>	165,638	165,638	165,638	0
<i>Fund Balance End of Year</i>	<u>\$469,317</u>	<u>\$317,526</u>	<u>\$761,385</u>	<u>\$443,859</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,619</u>
Liabilities	
Due to Students	<u>\$9,619</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board form of government. Each member is elected to staggered four year terms. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's two instructional support facilities staffed by 37 non-certificated and 57 certified teaching personnel and 6 administrators who provide services to students and other community members.

The School District is located in Sebring Ohio, Mahoning County. The enrollment for the School District during the 2008 fiscal year was approximately 659 students. The School District operates one elementary school (K-6) and one high school (7-12).

Reporting Entity

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

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

The School District participates in two jointly governed organizations and two public entity risk pools. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments, the Mahoning County Career and Technical Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Portage Area School Consortium. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The other governmental funds of the School District account for financial resources to be used for the acquisition, construction, or improvement of capital facilities, grants and other resources whose uses are restricted to a particular purpose and food service operations.

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at the legal level of budgetary control may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$59,310, which includes \$25,770 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for budget stabilization and the purchase of textbooks. See Note 17 for additional information regarding set asides.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$620,098, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, school bus purchases and budget stabilization.

O. Interfund Balances

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Sebring Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

R. Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 – Fund Deficits

Fund balances at June 30, 2008 included the following individual fund deficits:

Nonmajor Governmental Funds:	<u>Deficit</u>
Food Service	\$27,499
IDEA Part B Grant	14,386
Title I	14,827
Improving Teacher Quality	5,261

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Sebring Local School District

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*Notes to the Basic Financial Statements
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Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

Net Change in Fund Balance	
GAAP Basis	\$379,094
Net Adjustment for Revenue Accruals	(105,698)
Advances In	12,500
Net Adjustment for Expenditure Accruals	(211,370)
Adjustment for Encumbrances	(122,046)
Budget Basis	(\$47,520)

Note 6 - Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,513,674 of the District's bank balance of \$1,613,674 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all School District deposits was \$1,567,418 at fiscal year end.

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

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B - Investments

As of June 30, 2008, the School District had \$6,927 invested in STAR Ohio, which is in an internal investment pool. STAR Ohio's average maturity time is less than 6 months.

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

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

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

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The School District's investment in STAROhio represents 100 percent of the School District's total investments.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$1,567,418
Investments	6,927
Total	<u>\$1,574,345</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$1,564,726
Agency funds	9,619
Total	<u>\$1,574,345</u>

Note 7 - Property Taxes

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

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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the School District at June 30, 2008 and June 30, 2007.

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

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The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$44,952,900	90.74 %	\$45,870,500	93.96 %
Public Utility Personal	1,797,220	3.63	1,553,420	3.18
Tangible Personal Property	2,787,638	5.63	1,393,819	2.86
Total	\$49,537,758	100.00 %	\$48,817,739	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$61.40		 \$59.30	

Note 8 - Receivables

Receivables at June 30, 2008 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Property Taxes	\$1,685,982
Income Taxes	207,400
Intergovernmental	3,584
Accrued Interest	1,291
Accounts	511
Total	\$1,898,768

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

Note 9 – School District Income Tax

The voters of the District passed a 1 percent, five year, school district income tax in the November 2006 election that became effective January 1, 2007. School district income tax revenue received by the General Fund during fiscal year 2008 was \$389,537.

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For the Fiscal Year Ended June 30, 2008

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
Governmental Activities:				
Capital assets not being depreciated				
Land	\$219,600	\$0	\$0	\$219,600
Capital assets being depreciated				
Land Improvements	1,109,663	0	0	1,109,663
Buildings and improvements	16,291,104	8,400	(59,330)	16,240,174
Furniture, fixtures and equipment	876,011	25,522	(18,701)	882,832
Library Books	168,009	0	0	168,009
Vehicles	230,487	82,471	(9,000)	303,958
Total capital assets being depreciated	18,675,274	116,393	(87,031)	18,704,636
Accumulated depreciation				
Land Improvements	(507,883)	(52,611)	0	(560,494)
Buildings and improvements	(4,698,356)	(480,516)	59,330	(5,119,542)
Furniture, fixtures and equipment	(616,856)	(78,628)	15,241	(680,243)
Library Books	(168,009)	0	0	(168,009)
Vehicles	(183,983)	(15,053)	9,000	(190,036)
Total accumulated depreciation	(6,175,087)	(626,808) *	83,571	(6,718,324)
Capital assets being depreciated, net	12,500,187	(510,415)	(3,460)	11,986,312
Governmental activities capital assets, net	\$12,719,787	(\$510,415)	(\$3,460)	\$12,205,912

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$562,863
Special	157
Support Services:	
Pupils	376
Instructional Staff	11,464
Administration	10,740
Operation and Maintenance of Plant	4,062
Pupil Transportation	13,873
Operation of Food Services	10,292
Extracurricular	12,981
Total Depreciation Expense	\$626,808

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*Notes to the Basic Financial Statements
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Note 11 - Interfund Activity

A - Interfund Transfers

During fiscal year 2008 there were no interfund transfers made.

B - Interfund Receivable/Payable

All interfund receivable/payables consisted of the following at June 30, 2008, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$2,031	\$0
Non-major Governmental Funds:		
Title VI	0	619
Miscellaneous Federal Grants	0	1,412
	\$2,031	\$2,031

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

Note 12 - Risk Management

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted for the following insurance coverage:

Type of Coverage	Coverage
Building and Contents - Replacement Cost (\$5,000 deductible)	\$22,895,000
Boiler and Machinery (\$500 deductible)	14,145,000
Inland Marine Coverage (\$100 deductible)	62,500
General Liability:	
in aggregate	3,000,000
Per occurrence	1,000,000
Fleet Insurance:	
Uninsured motorists	1,000,000
Comprehensive (deductibles; \$1,000 bus / \$250 other)	1,000,000
Collision (deductibles; \$1,000 bus / \$500 other)	1,000,000

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

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Notes to the Basic Financial Statements
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B. Employee Group Health, Disability and Life Insurance

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

C. Workers' Compensation Plan

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

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 13 - 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, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or

Sebring Local School District
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by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2008, 2007, and 2006 were \$70,929, \$77,583, and \$83,292, respectively; 52.4 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal year 2007 and 2006.

B - State Teachers Retirement System

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

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

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

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DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

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

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$376,056,

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

\$354,827, and \$358,928, respectively; 81.7 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal year 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,287 made by the District and \$11,917 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* will be available after December 26, 2007.

Additional information or copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

Note 14 – Postemployment Benefits

A - School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.84 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established as \$35,800. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$44,943.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay as you go basis. Net health care costs for the year ending June 30, 2007 (the latest information available), were \$158,651,207. The number of participants eligible to receive benefits was 59,492. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2007 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

B - State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary

Sebring Local School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$28,927 for fiscal year 2008.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000. There were 122,934 eligible benefit recipients.

Note 15 - Compensated Absences

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

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

Note 16 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts due in One Year
Governmental-Type Activities					
General Obligation Bonds:					
1999 Classroom Facilities Improvement	\$1,415,000	\$0	\$60,000	\$1,355,000	\$65,000
Other Long-Term Obligations:					
Compensated Absences	430,739	12,047	44,838	397,948	36,852
Early Retirement Incentive	20,000	0	15,000	5,000	5,000
<i>Total Long-Term Obligations</i>	<u>\$1,865,739</u>	<u>\$12,047</u>	<u>\$119,838</u>	<u>\$1,757,948</u>	<u>\$106,852</u>

Sebring Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

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

The School District's overall legal debt margin was \$3,384,215 with an unvoted debt margin of \$48,818 at June 30, 2008. Principal requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

Fiscal year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2009	\$65,000	\$79,637
2010	70,000	76,175
2011	70,000	72,238
2012	75,000	67,887
2013	80,000	63,238
2014-2018	485,000	234,380
2019-2022	510,000	64,925
<i>Total</i>	<u>\$1,355,000</u>	<u>\$658,480</u>

Note 17 - Set-Asides

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2007	(\$111,903)	\$0	\$24,007
Current Year Set-Aside Requirement	107,916	107,916	0
Qualifying Disbursements	(103,627)	(217,922)	0
Current Year Offsets	0	(97,814)	0
Total	<u>(\$107,614)</u>	<u>(\$207,820)</u>	<u>\$24,007</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>(\$107,614)</u>	<u>\$0</u>	<u>\$24,007</u>
Cash balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$24,007</u>

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

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

A schedule of restricted assets as of June 30, 2008 is as follows:

Amount Set-Aside for Budget Stabilization	\$24,007
Amount Set-Aside for Bus Purchases	<u>1,869</u>
Total	<u>\$25,876</u>

Note 18 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System Council of Governments (COG) is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge. Sebring Local School District paid \$12,412 to COG during fiscal year 2008.

COG is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of COG including budgeting, appropriating, contracting and designating management. All of COG revenues are generated from charges for services and State funding.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Financial information can be obtained by contacting the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts and one representative from each of the two city school districts. During fiscal year 2008, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Sebring, Ohio, 44406.

Note 19 - Public Entity Risk Pool

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

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

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

B. Portage Area School Consortium

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

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B. Litigation

The School District is not party to legal proceedings as of June 30, 2008.

Note 21 – New Accounting Standards

In August of 2004, the GASB issued Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”, which addresses how state and local governments should account for and report their costs and obligations related to postemployment health care and other non-pension benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November 2006, the GASB issued Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” This Statement is to establish accounting and financial reporting standards for pollution remediation obligations. Statement No. 49 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In June of 2007, the GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” This Statement requires that all intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, be classified as capital assets. Statement No. 51 will not be effective for the District until fiscal year 2010 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In March of 2007, the GASB issued Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments.” This Statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. This Statement applies to all state and local governments. Statement No. 52 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November of 2007, the GASB issued Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.” This Statement establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments as defined in this Statement. Statement No. 53 will not be effective for the District until fiscal year 2011 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

Sebring Local School District
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05-PU	10.553	\$16,391	\$0	\$16,391	\$0
National School Lunch Program	LL-P4	10.555	125,931	9,807	125,931	9,807
Total Nutrition Cluster			142,322	9,807	142,322	9,807
Total United States Department of Agriculture			142,322	9,807	142,322	9,807
United States Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1	84.010	149,146	0	133,430	0
Special Education - Grants to States	6B-SF	84.027	202,069	0	177,534	0
Safe and Drug-Free Schools and Communities - State Grants	DR-S1	84.186	3,098	0	3,098	0
State Grants for Innovative Programs	C2-S1	84.298	1,013	0	1,632	0
Education Technology State Grants	TJ-S1	84.318	1,255	0	1,255	0
Improving Teacher Quality State Grants	TR-S1	84.367	45,207	0	46,229	0
Total United States Department of Education			401,788	0	363,178	0
Corporation for National and Community Service						
<i>Passed through the Ohio Department of Education</i>						
Learn and Serve America - School and Community Based Programs	NA	94.004	17,874	0	15,487	0
Total Corporation for National and Community Service			17,874	0	15,487	0
Total Federal Financial Assistance			\$561,984	\$9,807	\$520,987	\$9,807

NA - Pass Through Entity Number is Not Available
See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures

Sebring Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B -FOOD DONATION

Program regulations do not require the District 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 entitlement value of the commodities received.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by
*Government Auditing Standards***

Members of the Board
Sebring Local School District
510 North 14th Street
Sebring, Ohio 44672

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sebring Local School District, Mahoning County (the District) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 28, 2009, in which we indicate that the District implemented GASB Statements No. 48 and No. 50. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. The item is identified in the accompanying schedule of findings and responses as item 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material misstatement of the financial statements. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiency described above is a material weakness.

We noted a certain matter that we reported to the School District's management in a separate letter dated December 28, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-002.

We noted certain non-compliance and other matters that we have reported to the District's management in a separate letter dated December 28, 2009.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and members of the Board. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2009



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

Board of Education
Sebring Local School District
510 North 14th Street
Sebring, Ohio 44672

Compliance

We have audited the compliance of Sebring Local School District, Mahoning County, Ohio (the 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 apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2008-002 .

Board of Education

Sebring Local School District

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

Page 2

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect noncompliance with a federal program's of compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2009

Sebring Local School District
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2008

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program 's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA # 10.553 and 10.555 Title I Grants to Local Education Agencies CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Sebring Local School District
 Schedule of Findings
 OMB Circular A-133 Section .505
 For the Fiscal Year Ended June 30, 2008

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

Finding 2008-001

Significant Deficiency – Audit Adjustment

A misstatement to the issued financial statements was identified by the Auditor which should have been prevented or detected by the School District’s internal controls over financial reporting. The material misstatement was identified in the following area:

- Accrued Wages

The accompanying financial statements were adjusted to reflect correction of one misstatement and a misstatement not reflected on the financial statements. The School District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Clients Response:

The School District has taken actions to correct the misstatements, and will implement better monitoring controls to prevent future errors.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2008-002
CFDA Title and Number	Nutrition Cluster 10.553 & 10.555; Title I Grants to Local Education Agencies 84.010; Special Education Grants to States 84.027; Safe and Drug Free Schools and Communities State Grants 84.186; State Grants for Innovative Programs 84.298; Education Technology State Grants 84.318; Improving Teacher Quality State Grants 84.367; Learn and Serve America School and Community Based Programs 94.004
Federal Agency	United States Department of Agriculture; United States Department of Education; Corporation for National and Community Service
Pass-Through Agency	Ohio Department of Education

Non-Compliance - Single Audit Report Submission

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The School District did not submit the required reports within this time frame.

The School District should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the Academy should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

Finding Number	2008-002 (Continued)
CFDA Title and Number	Nutrition Cluster 10.553 & 10.555; Title I Grants to Local Education Agencies 84.010; Special Education Grants to States 84.027; Safe and Drug Free Schools and Communities State Grants 84.186; State Grants for Innovative Programs 84.298; Education Technology State Grants 84.318; Improving Teacher Quality State Grants 84.367; Learn and Serve America School and Community Based Programs 94.004
Federal Agency	United States Department of Agriculture; United States Department of Education; Corporation for National and Community Service
Pass-Through Agency	Ohio Department of Education

Non-Compliance - Single Audit Report Submission (Continued)

Clients Response:

The expenditures of the School District will be more closely monitored so as to prevent this violation from reoccurring. We will follow the guidelines of Circular A-133 in the future. We will take steps to insure that single audits are preformed as required.



Mary Taylor, CPA
Auditor of State

SEBRING LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**