

Sebring Local School District

Mahoning County, Ohio

Regular Audit

July 1, 2006 Through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Trustees
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, 2006 through June 30, 2007. 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

May 2, 2008

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Sebring Local School District
Mahoning County, Ohio

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sebring School District (the District), Mahoning County, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

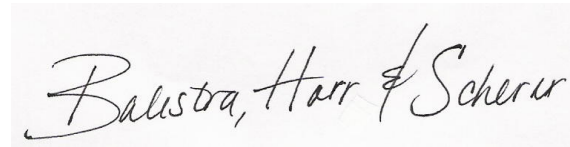
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 the 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 District, as of June 30, 2007, and the respective changes in financial position thereof, and the respective 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 January 31, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 21, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 50 *Pension Disclosures*, and GASB Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*.

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.
January 31, 2008

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities decreased \$409,242 which represents a 3.3 percent decrease from fiscal year 2006.
- General revenues accounted for \$6,114,064 in revenue or 87.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$864,145 or 12.4 percent of total revenues of \$6,978,209.
- The District had \$7,387,451 in expenses related to governmental activities; only \$864,145 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 \$6,114,064 were not 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 \$197,110, or 510.8 percent during the fiscal year. The bond retirement debt service fund balance increased \$61,393 or 27.1 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 2007?" 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.

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
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Unaudited

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.

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current and other assets	\$3,392,536	\$2,919,036
Capital assets	<u>12,719,787</u>	<u>13,333,708</u>
Total assets	<u>16,112,323</u>	<u>16,252,744</u>
<u>Liabilities</u>		
Current liabilities	2,320,705	2,172,530
Long-term liabilities	<u>1,865,739</u>	<u>1,745,093</u>
Total liabilities	<u>4,186,444</u>	<u>3,917,623</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	11,304,787	11,858,708
Restricted	624,185	616,103
Unrestricted	<u>(3,093)</u>	<u>(139,690)</u>
Total net assets	<u>\$11,925,879</u>	<u>\$12,335,121</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$11,925,879. The decrease in net assets of \$409,242 is primarily due to the reduction in capital assets which was caused by another year of depreciation being taken on all of the District's assets.

At year-end, capital assets represented 78.9 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, textbooks and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$11,304,787. 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, \$624,185, represents resources that are subject to external restriction on how they may be used.

The table below shows the change in net assets for fiscal year 2007 and 2006.

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

Table 2
Change in Net Assets
Governmental Activities

	2007	2006
Revenues		
Program Revenues		
Charges for Services and Sales	\$222,829	\$230,781
Operating Grants and Contributions	637,780	608,176
Capital Grants and Contributions	3,536	8,960
<i>Total Program Revenues</i>	<u>864,145</u>	<u>847,917</u>
General Revenues		
Property Taxes	1,665,803	1,429,952
Income Tax	98,098	0
Intergovernmental	4,207,595	4,071,579
Investment Earnings	83,539	48,965
Miscellaneous	59,029	108,360
<i>Total General Revenues</i>	<u>6,114,064</u>	<u>5,658,856</u>
<i>Total Revenues</i>	<u>6,978,209</u>	<u>6,506,773</u>
Program Expenses		
Current:		
Instruction:		
Regular	3,239,644	3,261,299
Special	1,343,391	1,000,281
Vocational	15,848	0
Other	0	220,680
Support Services:		
Pupil	151,697	160,083
Instructional Staff	228,770	226,864
Board of Education	11,638	10,706
Administration	573,558	747,436
Fiscal	258,954	254,854
Business	0	0
Operation and Maintenance of Plant	803,887	775,436
Pupil Transportation	150,974	156,449
Central	954	703
Operation of Non-Instructional Services	0	9,800
Operation of Food Services	274,265	285,400
Extracurricular Activities	246,214	224,723
Interest and Fiscal Charges	87,657	88,446
<i>Total Program Expenses</i>	<u>7,387,451</u>	<u>7,423,160</u>
<i>Change in Net Assets</i>	(409,242)	(916,387)
Net Assets Beginning of Year	12,335,121	13,251,508
<i>Net Assets End of Year</i>	<u>\$11,925,879</u>	<u>\$12,335,121</u>

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Governmental Activities

Net assets of the District's governmental activities decreased \$409,242. This decrease can be attributed mainly to capital assets decreasing \$613,921 from the previous fiscal year. Total governmental expenses of \$7,387,451 were offset by program revenues of \$864,145 and general revenues of \$6,114,064. Program revenues supported 11.7 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 84.2 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$4,598,883 or 62.3 percent of total governmental expenses. Support service expenses totaled \$2,180,432, or 29.5 percent of total governmental expenses for fiscal year 2007.

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 <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$3,239,644	\$3,116,003	\$3,261,299	\$3,152,243
Special	1,343,391	992,545	1,000,281	636,519
Vocational	15,848	15,764	0	0
Other	0	0	220,680	220,680
Support services:				
Pupil	151,697	134,692	160,083	155,686
Instructional staff	228,770	228,770	226,864	26,495
Board of education	11,638	11,638	10,706	10,706
Administration	573,558	559,803	747,436	742,202
Fiscal	258,954	258,954	254,854	254,854
Operations and maintenance	803,887	796,577	775,436	775,436
Pupil transportation	150,974	148,748	156,449	146,625
Central	954	954	703	703
Operations of non-instructional services	0	0	9,800	9,800
Extracurricular activities	246,214	156,130	224,723	137,466
Operatio of food services	274,265	15,071	285,400	17,382
Interest and fiscal charges	87,657	87,657	88,446	88,446
Total expenses	<u>\$7,387,451</u>	<u>\$6,523,306</u>	<u>\$7,423,160</u>	<u>\$6,375,243</u>

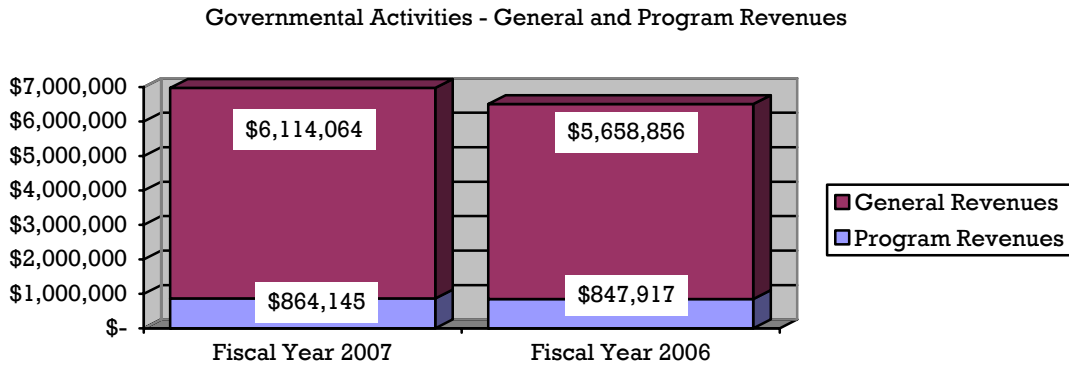
Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

The dependence upon unrestricted grants and entitlements and general tax revenues for governmental activities is apparent. Over 79 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 2007 and 2006.



The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$832,061, which is higher than last year's total of \$564,767. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General	\$235,702	\$38,592	\$197,110
Bond Retirement	287,929	226,536	61,393
Other Governmental	308,430	299,639	8,791
Total	\$832,061	\$564,767	\$267,294

General Fund

During fiscal year 2007, the District's general fund balance increased by \$197,110. The primary reason for this increase is the collection on the District's new income tax, and also an increase in the amount of money being reimbursed from the State for the phase-out of personal property taxes. 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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Management's Discussion and Analysis
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	2007 Amount	2006 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$1,396,566	\$1,266,682	10.3 %
Tuition and fees	15,756	0	n/a %
Earnings on investments	83,539	48,965	70.6 %
Intergovernmental	4,153,146	4,040,172	2.8 %
Other revenues	23,457	55,303	(57.6) %
Total	5,672,464	5,411,122	4.8 %
<u>Expenditures</u>			
Instruction	3,387,126	3,350,867	1.1 %
Support services	1,927,166	2,041,987	(5.6) %
Operation of non-instructional services	0	9,800	n/a %
Extracurricular activities	140,862	129,712	8.6 %
Total	\$5,455,154	\$5,532,366	(1.4) %

Debt Service Fund

The debt service fund had \$210,541 in revenues and \$149,148 in expenditures, resulting in an increase in fund balance of \$61,393 or 27.1 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 2007, the District amended its general fund budget several times. For the general fund, the final budgeted revenues were \$5,545,496, which is higher than the original budgeted revenues estimate of \$5,473,047. The final budgeted revenue amount includes revenue sources that were not anticipated at the beginning of the year, most notably, State reimbursements for the phase-out of personal property taxes. Actual revenues for fiscal year 2007 were \$5,596,534, or \$51,038 higher than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$5,550,856 were increased to \$5,711,556 in the final appropriation. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$5,550,521, which was \$161,035 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 2007, the District had \$12,719,787 invested in land, land improvements, buildings and improvements, furniture and equipment, textbooks and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2007 balances compared to 2006:

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
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**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2007	2006
Land	\$219,600	\$219,600
Land improvements	601,780	651,538
Building and improvements	11,592,748	12,066,433
Furniture and equipment	259,155	338,704
Vehicles	46,504	57,433
Total	<u>\$12,719,787</u>	<u>\$13,333,708</u>

Total additions to capital assets for fiscal year 2007 were \$15,933 and there were no disposals. The overall decrease in capital assets of \$613,921 is due to annual depreciation of \$629,854 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, 2007, the District had \$1,415,000 in general obligation bonds outstanding. Of this total, \$60,000 is due within one year and \$1,355,000 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 \$51,377,625 in 2006 to \$49,537,758 in 2007. 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.

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

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, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,405,267
Accrued Interest Receivable	339
Accounts Receivable	341
Intergovernmental Receivable	98,429
Income Taxes Receivable	77,687
Property Taxes Receivable	1,782,155
Inventory Held for Resale	3,373
Materials and Supplies Inventory	526
Prepaid Items	24,419
Nondepreciable Capital Assets	219,600
Depreciable Capital Assets, Net	12,500,187
<i>Total Assets</i>	<u>16,112,323</u>
Liabilities	
Accounts Payable	20,410
Accrued Wages and Benefits Payable	601,674
Intergovernmental Payable	151,470
Matured Compensated Absences Payable	1,732
Deferred Revenue	1,538,397
Accrued Interest Payable	7,022
Long-Term Liabilities:	
Due Within One Year	119,838
Due In More Than One Year	1,745,901
<i>Total Liabilities</i>	<u>4,186,444</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,304,787
Restricted for:	
Capital Projects	182,228
Debt Service	300,233
Classroom Facilities Maintenance	29,295
Public School Support	8,890
Other Purposes	69,114
Set-asides	34,425
Unrestricted (Deficit)	(3,093)
<i>Total Net Assets</i>	<u>\$11,925,879</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, 2007

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Current:					
Instruction:					
Regular	\$3,239,644	\$13,609	\$110,032	\$0	(\$3,116,003)
Special	1,343,391	5,143	345,703	0	(992,545)
Vocational	15,848	84	0	0	(15,764)
Support Services:					
Pupils	151,697	0	17,005	0	(134,692)
Instructional Staff	228,770	0	0	0	(228,770)
Board of Education	11,638	0	0	0	(11,638)
Administration	573,558	8,230	5,525	0	(559,803)
Fiscal	258,954	0	0	0	(258,954)
Operation and Maintenance of Plant	803,887	0	6,000	1,310	(796,577)
Pupil Transportation	150,974	0	0	2,226	(148,748)
Central	954	0	0	0	(954)
Operation of Food Services	274,265	119,029	140,165	0	(15,071)
Extracurricular Activities	246,214	76,734	13,350	0	(156,130)
Interest and Fiscal Charges	87,657	0	0	0	(87,657)
Total Governmental Activities	\$7,387,451	\$222,829	\$637,780	\$3,536	(6,523,306)
General Revenues					
Property Taxes Levied for:					
					1,355,410
					194,682
					95,913
					19,798
					98,098
					4,207,595
					83,539
					59,029
Total General Revenues					6,114,064
Change in Net Assets					(409,242)
Net Assets Beginning of Year - Restated (See Note 3)					12,335,121
Net Assets End of Year					\$11,925,879

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$774,480	\$286,468	\$309,894	\$1,370,842
Accrued Interest Receivable	339	0	0	339
Accounts Receivable	0	0	341	341
Interfund Receivable	12,500	0	0	12,500
Intergovernmental Receivable	0	0	98,429	98,429
Income Taxes Receivable	77,687	0	0	77,687
Property Taxes Receivable	1,454,482	204,218	123,455	1,782,155
Inventory Held for Resale	0	0	3,373	3,373
Materials and Supplies Inventory	0	0	526	526
Prepaid Items	24,419	0	0	24,419
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	34,425	0	0	34,425
<i>Total Assets</i>	<u>\$2,378,332</u>	<u>\$490,686</u>	<u>\$536,018</u>	<u>\$3,405,036</u>
Liabilities				
Accounts Payable	\$16,339	\$0	\$4,071	\$20,410
Accrued Wages and Benefits Payable	537,815	0	63,859	601,674
Intergovernmental Payable	130,701	0	20,769	151,470
Matured Compensated Absences Payable	1,732	0	0	1,732
Interfund Payable	0	0	12,500	12,500
Deferred Revenue	1,456,043	202,757	126,389	1,785,189
<i>Total Liabilities</i>	<u>2,142,630</u>	<u>202,757</u>	<u>227,588</u>	<u>2,572,975</u>
Fund Balances				
Reserved for Encumbrances	157,400	0	50,143	207,543
Reserved for Bus Purchases	10,418	0	0	10,418
Reserved for Budget Stabilization	24,007	0	0	24,007
Unreserved:				
Undesignated, Reported in:				
General Fund	43,877	0	0	43,877
Special Revenue Funds	0	0	106,022	106,022
Debt Service Funds	0	287,929	0	287,929
Capital Projects Funds	0	0	152,265	152,265
<i>Total Fund Balances</i>	<u>235,702</u>	<u>287,929</u>	<u>308,430</u>	<u>832,061</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,378,332</u>	<u>\$490,686</u>	<u>\$536,018</u>	<u>\$3,405,036</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, 2007*

Total Governmental Fund Balances	\$832,061
<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.	12,719,787
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	
Property Taxes	222,630
Income Taxes	19,981
Intergovernmental	<u>4,181</u>
Total	246,792
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(7,022)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(1,415,000)
Compensated Absences	(430,739)
Early Retirement Incentive	<u>(20,000)</u>
Total	<u>(1,865,739)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$11,925,879</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, 2007

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,318,449	\$190,495	\$113,384	\$1,622,328
Income Taxes	78,117	0	0	78,117
Tuition and Fees	15,756	0	0	15,756
Interest	83,539	0	0	83,539
Charges for Services	0	0	119,029	119,029
Extracurricular Activities	0	0	84,964	84,964
Rentals	3,080	0	0	3,080
Contributions and Donations	5,800	0	15,185	20,985
Intergovernmental	4,153,146	20,046	650,553	4,823,745
Miscellaneous	14,577	0	44,452	59,029
<i>Total Revenues</i>	<u>5,672,464</u>	<u>210,541</u>	<u>1,027,567</u>	<u>6,910,572</u>
Expenditures				
Current:				
Instruction:				
Regular	2,451,275	0	112,925	2,564,200
Special	935,851	0	354,195	1,290,046
Support Services:				
Pupils	143,443	0	9,708	153,151
Instructional Staff	208,068	0	0	208,068
Board of Education	11,638	0	0	11,638
Administration	570,846	0	24,521	595,367
Fiscal	235,928	3,386	2,017	241,331
Operation and Maintenance of Plant	633,417	0	163,292	796,709
Pupil Transportation	122,872	0	9,609	132,481
Central	954	0	0	954
Operation of Food Services	0	0	253,692	253,692
Extracurricular Activities	140,862	0	93,084	233,946
Capital Outlay	0	0	15,933	15,933
Debt Service:				
Principal Retirement	0	60,000	0	60,000
Interest and Fiscal Charges	0	85,762	0	85,762
<i>Total Expenditures</i>	<u>5,455,154</u>	<u>149,148</u>	<u>1,038,976</u>	<u>6,643,278</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>217,310</u>	<u>61,393</u>	<u>(11,409)</u>	<u>267,294</u>
Other Financing Sources (Uses)				
Transfers In	0	0	20,200	20,200
Transfers Out	(20,200)	0	0	(20,200)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,200)</u>	<u>0</u>	<u>20,200</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	197,110	61,393	8,791	267,294
<i>Fund Balances Beginning of Year</i>	38,592	226,536	299,639	564,767
<i>Fund Balances End of Year</i>	<u>\$235,702</u>	<u>\$287,929</u>	<u>\$308,430</u>	<u>\$832,061</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, 2007*

Net Change in Fund Balances - Total Governmental Funds	\$267,294
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
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	15,933
Current Year Depreciation	<u>(629,854)</u>
Total	(613,921)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	43,475
Income Taxes	19,981
Intergovernmental	<u>4,181</u>
Total	67,637
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.	(1,895)
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	(203,357)
Early Retirement Incentive	<u>15,000</u>
Total	<u>(188,357)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>(\$409,242)</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 Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,237,233	\$1,253,611	\$1,300,029	\$46,418
Income Taxes	20,726	21,000	20,411	(589)
Tuition and Fees	16,014	16,226	15,756	(470)
Interest	78,955	80,000	83,200	3,200
Rentals	3,750	3,800	3,080	(720)
Contributions and Donations	21,959	22,250	5,800	(16,450)
Intergovernmental	4,092,781	4,146,959	4,153,146	6,187
Miscellaneous	1,629	1,650	15,112	13,462
<i>Total Revenues</i>	<u>5,473,047</u>	<u>5,545,496</u>	<u>5,596,534</u>	<u>51,038</u>
Expenditures				
Current:				
Instruction:				
Regular	2,386,320	2,465,633	2,447,629	18,004
Special	936,692	961,001	933,881	27,120
Support Services:				
Pupils	143,992	149,220	141,868	7,352
Instructional Staff	218,783	221,755	209,274	12,481
Board of Education	16,717	16,750	14,588	2,162
Administration	606,561	627,684	566,232	61,452
Fiscal	261,599	269,591	232,014	37,577
Operation and Maintenance of Plant	652,015	668,272	644,900	23,372
Pupil Transportation	171,332	174,512	183,410	(8,898)
Central	848	850	954	(104)
Extracurricular Activities	155,997	156,288	143,071	13,217
<i>Total Expenditures</i>	<u>5,550,856</u>	<u>5,711,556</u>	<u>5,517,821</u>	<u>193,735</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(77,809)</u>	<u>(166,060)</u>	<u>78,713</u>	<u>244,773</u>
Other Financing Sources (Uses)				
Advances Out	0	0	(12,500)	(12,500)
Transfers Out	0	0	(20,200)	(20,200)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(32,700)</u>	<u>(32,700)</u>
<i>Net Change in Fund Balance</i>	(77,809)	(166,060)	46,013	212,073
<i>Fund Balance Beginning of Year</i>	573,929	573,929	573,929	0
<i>Prior Year Encumbrances Appropriated</i>	23,325	23,325	23,325	0
<i>Fund Balance End of Year</i>	<u>\$519,445</u>	<u>\$431,194</u>	<u>\$643,267</u>	<u>\$212,073</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, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,374</u>
Liabilities	
Due to Students	<u>\$9,374</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, 2007

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 2007 fiscal year was approximately 697 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities. 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, 2007

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, 2007

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, 2007

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, 2007, but which were levied to finance fiscal year 2008 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, 2007

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 2007, 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, 2007.

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 2007 amounted to \$83,539, which includes \$38,808 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, 2007, 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, 2007

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 and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 \$624,185, 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
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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 - Restatement of Prior Year Net Assets

During fiscal year 2007, it was determined that the School District had \$35,000 in early retirement incentives payable at June 30, 2006, which were not reported. This restatement decreased total net assets from \$12,370,121 to \$12,335,121 at June 30, 2006.

Note 4 - Accountability and Compliance

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

Nonmajor Governmental Funds:	<u>Deficit</u>
Food Service	\$1,452
Education Foundation	951
IDEA Part B Grant	18,293

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.

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.

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Net Change in Fund Balance	
GAAP Basis	\$197,110
Net Adjustment for Revenue Accruals	(75,930)
Advances Out	(12,500)
Net Adjustment for Expenditure Accruals	102,971
Adjustment for Encumbrances	(165,638)
Budget Basis	<u>\$46,013</u>

Note 6 - Deposits and Investments

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

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

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

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.

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

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;

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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, \$1,402,079 of the District's bank balance of \$1,502,079 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 \$1,407,982 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.

B - Investments

As of June 30, 2007, the School District had \$6,659 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.

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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, 2007:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$1,407,982
Investments	6,659
Total	<u>\$1,414,641</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$1,405,267
Agency funds	9,374
Total	<u>\$1,414,641</u>

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior

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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 2007 is 12.5 percent. This will be reduced to 6.25 for 2008 and 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, 2007, 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, 2007 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, 2007 and June 30, 2006.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,310,750	88.19 %	\$44,952,900	90.74 %
Public Utility Personal	1,919,750	3.74	1,797,220	3.63
Tangible Personal Property	4,147,125	8.07	2,787,638	5.63
Total	\$51,377,625	100.00 %	\$49,537,758	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$61.40		 \$61.40	

Note 8 - Receivables

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Governmental Activities:

Property Taxes	\$1,782,155
Intergovernmental	98,429
Income Taxes	77,687
Accounts	341
Accrued Interest	339
Total	\$1,958,951

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 2007 was \$78,117.

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 6/30/06	Additions	Reductions	Balance 6/30/07
Governmental Activities:				
Capital assets not being depreciated				
Land	\$219,600	\$0	\$0	\$219,600
Capital assets being depreciated				
Land Improvements	1,106,880	2,783	0	1,109,663
Buildings and improvements	16,282,704	8,400	0	16,291,104
Furniture, fixtures and equipment	871,261	4,750	0	876,011
Library Books	168,009	0	0	168,009
Vehicles	230,487	0	0	230,487
Total capital assets being depreciated	18,659,341	15,933	0	18,675,274
Accumulated depreciation				
Land Improvements	(455,342)	(52,541)	0	(507,883)
Buildings and improvements	(4,216,271)	(482,085)	0	(4,698,356)
Furniture, fixtures and equipment	(532,557)	(84,299)	0	(616,856)
Library Books	(168,009)	0	0	(168,009)
Vehicles	(173,054)	(10,929)	0	(183,983)
Total accumulated depreciation	(5,545,233)	(629,854) *	0	(6,175,087)
Capital assets being depreciated, net	13,114,108	(613,921)	0	12,500,187
Governmental activities capital assets, net	\$13,333,708	(\$613,921)	\$0	\$12,719,787

Sebring Local School District

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*Notes to the Basic Financial Statements
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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$563,835
Special	157
Support Services:	
Pupil	376
Instructional Staff	18,482
Administration	11,162
Operation and Maintenance of Plant	2,898
Pupil Transportation	10,447
Operation of Food Services	10,229
Extracurricular	12,268
Total Depreciation Expense	<u>\$629,854</u>

Note 11 - Interfund Activity

A - Interfund Transfers

During fiscal year 2007 the general fund transferred \$20,000 to the food service fund to help cover operating costs of the program, and \$200 to the miscellaneous state grants fund for the reimbursement of grant expenditures.

B - Interfund Receivable/Payable

The interfund receivable/payable consisted of the following at June 30, 2007, as reported on the fund financial statements:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Fund:		
General	\$12,500	\$0
Non-major Governmental Funds:		
Ohio Reads	0	5,000
Title I	0	2,500
Miscellaneous Federal Grants	0	5,000
	<u>\$12,500</u>	<u>\$12,500</u>

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.

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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 2007, the School District contracted for the following insurance coverage:

Type of Coverage	Coverage
Building and Contents - Replacement Cost (\$1,000 deductible)	\$20,250,000
Inland Marine Coverage (\$100 deductible)	62,500
Musical Instruments	30,000
Computer	268,000
General Liability:	
in aggregate	3,000,000
Per occurrence	1,000,000
Fleet Insurance:	
Uninsured motorists	1,000,000
Comprehensive (\$500 deductible)	1,000,000
Collision (\$1,000 deductible)	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.

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,

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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 (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or 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 District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$77,583, \$83,292, and \$79,452, respectively; 39.6 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal year 2006 and 2005.

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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$354,827, \$358,928, and \$381,928, respectively; 85.07 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$8,287 made by the District and \$11,917 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS have an option to chooses Social Security or the SERS/STRS. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The School District's liability id 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

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

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STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$27,294 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$32,544 to fund health care benefits, including the surcharge.

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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years 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. SERS has 59,942 participants currently receiving health care benefits.

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.

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*Notes to the Basic Financial Statements
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Note 16 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts due in One Year
Governmental-Type Activities					
General Obligation Bonds:					
1999 Classroom Facilities Improvement	\$1,475,000	\$0	\$60,000	\$1,415,000	\$60,000
Other Long-Term Obligations:					
Compensated Absences	235,093	239,870	44,224	430,739	44,838
Early Retirement Incentive	35,000	0	15,000	20,000	15,000
<i>Total Long-Term Obligations</i>	<u>\$1,745,093</u>	<u>\$239,870</u>	<u>\$119,224</u>	<u>\$1,865,739</u>	<u>\$119,838</u>

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 \$3,331,327 with an unvoted debt margin of \$49,538 at June 30, 2007. Principal requirements to retire general obligation debt outstanding at June 30, 2007, are as follows:

Fiscal year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2008	\$60,000	\$82,763
2009	65,000	79,637
2010	70,000	76,175
2011	70,000	72,238
2012	75,000	67,887
2013-2017	455,000	263,012
2018-2022	620,000	99,531
<i>Total</i>	<u>\$1,415,000</u>	<u>\$741,243</u>

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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.

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2006	\$0	\$0	\$24,007
Current Year Set-Aside Requirement	112,766	112,766	0
Qualifying Disbursements	(124,893)	(126,891)	0
Current Year Offsets	(99,776)	(100,592)	0
Total	(\$111,903)	(\$114,717)	\$24,007
Set-Aside Balance Carried Forward to			
Future Fiscal Years	(\$111,903)	\$0	\$24,007
Cash balance as of June 30, 2007	\$0	\$0	\$24,007

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, 2007 is as follows:

Amount Set-Aside for Budget Stabilization	\$24,007
Amount Set-Aside for Bus Purchases	10,418
Total	\$34,425

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 \$12,673 to COG during fiscal year 2007.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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 district's and one representative from each of the two city school districts. During fiscal year 2007, 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.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, 2007.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2007.

C. Columbia Gas

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$3,252 per year. A portion of the refund may be recovered from additional State entitlement payments.

Note 21 – New Accounting Standards

In April of 2004, the Governmental Accounting Standards Board (the GASB) issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement establishes uniform financial reporting standards for Other Postemployment Benefit (OPEB) plans and supersedes guidance included in Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans." The standards in Statement No. 43 apply to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or third parties that administer them. Statement No. 43 will not be effective for the District until fiscal year 2008 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

During 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. Collectively, these benefits are commonly referred to as other postemployment 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.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

In September of 2006, the GASB issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This statement establishes accounting standards on whether a transaction should be regarded as a sale or as collateralized borrowing resulting in a liability. Statement No. 48 will not be effective for the District until fiscal year 2008 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 May of 2007, the GASB issued Statement No. 50, "Pension Disclosures." This Statement amends the applicable note disclosure and required supplementary information (RSI) of GASB Statement No. 25 and GASB Statement No. 27 to conform to the requirements of GASB Statement No. 43 and GASB Statement No. 45. This Statement is intended to improve the transparency and usefulness of financial reporting by pension plans and employers by amending Statement No. 25 and Statement No. 27 to conform to the applicable note disclosure and RSI modifications adopted in the OPEB Statements. Statement No. 50 will not be effective for the District until fiscal year 2008 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.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Sebring Local School District
510 N 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, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2008 in which we indicated the School District implemented GASB Statements No. 43, 45, 48, 49, 50 and 51. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 entity'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 a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. 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 considered to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



Balestra, Harr & Scherer, CPAs, Inc.
January 31, 2008



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 15, 2008**