



Mary Taylor, CPA
Auditor of State

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Range Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2006, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Range Local School District, Mahoning County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

April 20, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the South Range Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$823,631 which represents an 18.48% increase from 2005.
- General revenues accounted for \$11,393,906 in revenue or 91.24% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,094,452 or 8.76% of total revenues of \$12,488,358.
- The District had \$11,664,727 in expenses related to governmental activities; \$1,094,452 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 \$11,393,906 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$10,883,373 in revenues and \$10,299,393 in expenditures and other financing uses. During fiscal year 2006, fund balance in the general fund increased \$583,980 from \$231,618 to \$815,598.
- The bond retirement fund had \$705,878 in revenues and \$234,812 in expenditures. During fiscal year 2006, fund balance in the bond retirement fund increased \$471,066 from \$917,884 to \$1,388,950.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-45 of this report.

The District as a Whole

Recall that 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 2006 and 2005.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 9,007,018	\$ 7,619,749
Capital assets	<u>4,702,314</u>	<u>4,893,265</u>
Total assets	<u>13,709,332</u>	<u>12,513,014</u>
<u>Liabilities</u>		
Current liabilities	6,546,112	6,060,314
Long-term liabilities	<u>1,881,626</u>	<u>1,994,737</u>
Total liabilities	<u>8,427,738</u>	<u>8,055,051</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,317,314	3,373,265
Restricted	1,764,164	1,363,189
Unrestricted (deficit)	<u>200,116</u>	<u>(278,491)</u>
Total net assets	<u>\$ 5,281,594</u>	<u>\$ 4,457,963</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$5,281,594. Of this total, \$1,764,164 is restricted in use.

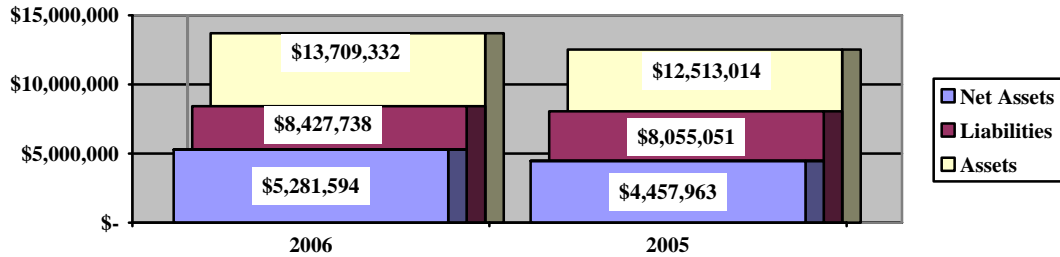
At year-end, capital assets represented 34.30% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$3,317,314. These capital assets are used 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

A portion of the District's net assets, \$1,764,164, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$200,116.

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 531,547	\$ 434,943
Operating grants and contributions	562,905	545,721
Capital grants and contributions	-	2,549
General revenues:		
Property taxes	5,280,831	4,473,362
Grants and entitlements	5,936,190	5,645,274
Investment earnings	104,945	37,579
Other	71,940	34,863
Total revenues	<u>\$ 12,488,358</u>	<u>\$ 11,174,291</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,231,531	\$ 4,934,453
Special	1,138,650	1,030,757
Vocational	163,163	150,442
Other	216,255	224,261
Support services:		
Pupil	326,209	311,913
Instructional staff	508,515	431,420
Board of education	55,497	58,882
Administration	900,349	805,416
Fiscal	350,729	333,948
Operations and maintenance	908,032	869,997
Pupil transportation	852,034	853,065
Central	73,112	86,503
Food service operations	356,682	303,017
Operations of non-instructional services	3,687	32,728
Extracurricular activities	491,686	390,108
Interest and fiscal charges	<u>88,596</u>	<u>98,098</u>
Total expenses	<u>11,664,727</u>	<u>10,915,008</u>
Change in net assets	823,631	259,283
Net assets at beginning of year	<u>4,457,963</u>	<u>4,198,680</u>
Net assets at end of year	<u><u>\$ 5,281,594</u></u>	<u><u>\$ 4,457,963</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$823,631. Total governmental expenses of \$11,664,727 were offset by program revenues of \$1,094,452 and general revenues of \$11,393,906. Program revenues supported 9.38% of the total governmental expenses.

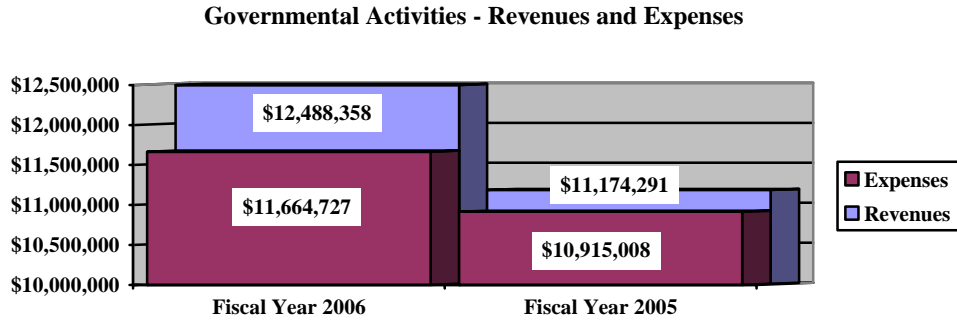
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 89.82% of total governmental revenue. Tax revenue increased due to higher assessed valuations as a result of the Districts reappraisal.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,749,599 or 57.86% of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.



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>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses				
Instruction:				
Regular	\$ 5,231,531	\$ 5,019,378	\$ 4,934,453	\$ 4,728,180
Special	1,138,650	920,493	1,030,757	849,702
Vocational	163,163	162,489	150,442	150,442
Other	216,255	215,347	224,261	224,261
Support services:				
Pupil	326,209	324,848	311,913	311,913
Instructional staff	508,515	495,444	431,420	420,420
Board of education	55,497	55,264	58,882	58,882
Administration	900,349	853,915	805,416	766,098
Fiscal	350,729	349,324	333,948	333,942
Operations and maintenance	908,032	904,196	869,997	861,049
Pupil transportation	852,034	848,202	853,065	828,609
Central	73,112	67,847	86,503	79,303
Food service operations	356,682	15,002	303,017	(7,610)
Operations of non-instructional services	3,687	3,672	32,728	30,185
Extracurricular activities	491,686	246,258	390,108	198,321
Interest and fiscal charges	88,596	88,596	98,098	98,098
Total expenses	<u>\$ 11,664,727</u>	<u>\$ 10,570,275</u>	<u>\$ 10,915,008</u>	<u>\$ 9,931,795</u>

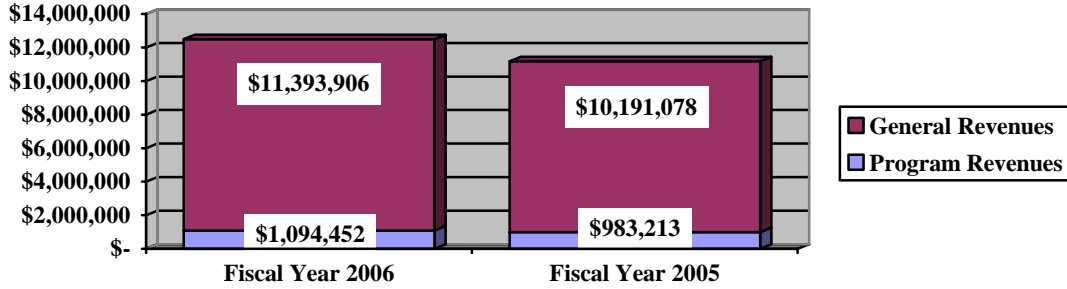
The dependence upon tax and other general revenues for governmental activities is apparent, 93.60% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 90.62%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,267,543, which is higher than last year's total of \$1,171,549. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 815,598	\$ 231,618	\$ 583,980	252.13 %
Bond Retirement	1,388,950	917,884	471,066	51.32 %
Other Governmental	<u>62,995</u>	<u>22,047</u>	<u>40,948</u>	185.73 %
Total	<u>\$ 2,267,543</u>	<u>\$ 1,171,549</u>	<u>\$ 1,095,994</u>	93.55 %

General Fund

The District's general fund balance increased \$583,980. The increase in fund balance can be primarily attributed to an increase in tax revenue as a result of the District's reappraisal. Revenues exceed expenditures for fiscal year 2006 by \$598,934. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,843,590	\$ 3,944,956	\$ 898,634	22.78 %
Earnings on investments	104,945	37,434	67,511	180.35 %
Intergovernmental	5,863,362	5,574,577	288,785	5.18 %
Other revenues	<u>71,476</u>	<u>15,126</u>	<u>56,350</u>	372.54 %
 Total	 <u>\$ 10,883,373</u>	 <u>\$ 9,572,093</u>	 <u>\$ 1,311,280</u>	 13.70 %
<u>Expenditures</u>				
Instruction	\$ 5,967,160	\$ 5,571,773	\$ 395,387	7.10 %
Support services	3,891,608	3,600,849	290,759	8.07 %
Non-instructional services	3,641	2,727	914	33.52 %
Extracurricular activities	214,467	170,985	43,482	25.43 %
Facilities acquisition and construction	207,563	217,964	(10,401)	(4.77) %
Debt service	<u>-</u>	<u>17,147</u>	<u>(17,147)</u>	(100.00) %
 Total	 <u>\$ 10,284,439</u>	 <u>\$ 9,581,445</u>	 <u>\$ 702,994</u>	 7.34 %

Bond Retirement Fund

The bond retirement fund had \$705,878 in revenues and \$234,812 in expenditures. During fiscal year 2006, fund balance in the bond retirement debt service fund increased \$471,066 from \$917,884 to \$1,388,950.

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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,106,738 and final budgeted revenues and other financing sources were \$10,950,776. Actual revenues and other financing sources for fiscal 2006 was \$10,964,956. This represents a \$14,180 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,111,572 were increased to \$10,400,497 in the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$10,414,865, which was \$14,368 higher than the final budget appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$4,702,314 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 60,001	\$ 60,001
Land improvements	170,210	191,897
Building and improvements	3,698,950	3,830,418
Furniture and equipment	359,374	451,030
Vehicles	413,779	359,919
 Total	 \$ 4,702,314	 \$ 4,893,265

The overall decrease in capital assets of \$190,951 is due to depreciation expense of \$335,878 being greater than capital acquisitions of \$144,927 in the fiscal year.

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

Debt Administration

At June 30, 2006, the District had \$1,385,000 in general obligation bonds outstanding. Of this total, \$150,000 is due within one year and \$1,235,000 is due in more than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 1,385,000	\$ 1,520,000
Total	\$ 1,385,000	\$ 1,520,000

See Note 9 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Current Financial Related Activities

Citizens of the District passed a new five year emergency levy during fiscal 2004, which raises \$793,000 annually. Management believes that the District will remain financially sound for the next three to five years based on the revenue created by this levy combined with prudent management of expenditures in all areas of operations. The citizens of the South Range Local School District also renewed a 4.1 mill renewal levy (five year emergency) which raises \$430,555 per year.

All Ohio public school districts are experiencing financial challenges due to the State of Ohio's failure to correct a school funding system which has been deemed unconstitutional by the Ohio Supreme Court. The District receives about 55 percent of its general fund money through the state foundation program. The State's failure to correct the funding issue is exacerbated by the general economic condition in Ohio. A newly elected Governor will take office in January, 2007. He has stated that compliance with the supreme court rulings on education funding will be addressed in his administration.

House Bill 66, which is the current biennial budget bill (7/1/05 through 6/30/07) contains tax reforms which will have financial consequences on governmental agencies for years to come. Drastic cuts and phase outs of business taxes as well as personal income tax cuts will greatly affect the income stream to the State of Ohio, and to all governmental agencies. It is said in physics that for every action, there is an equal and opposite reaction. Many tax related actions have occurred – the equal and opposite reactions continue to be identified and weighed.

Administrators and teachers have written and secured over \$500,000 in governmental and private grants during the 2005/2006 school year. These grants are an important part of maintaining reasonable local funding requests from the community. New money issues have been passed every eight years since 1988 (1996, 2004). The rule of thumb for Ohio public school districts in terms of new money levy requests is about every three to five years.

The Auditor of the State of Ohio audits the District's finances once a year. Two to three auditors from the State Auditor's office conduct a thorough audit usually taking two to three months. Internal controls are audited, as well as a sample of actual transactions to provide reasonable assurance that the finances of the District are conducted with accuracy and integrity.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James R. Phillips, Treasurer, South Range Local School District, 11836 South Avenue, North Lima, Ohio 44452.

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,429,259
Receivables:	
Taxes	5,529,232
Accounts	2,417
Intergovernmental	24,781
Materials and supplies inventory	21,329
Capital assets:	
Land	60,001
Depreciable capital assets, net	4,642,313
Capital assets, net.	<u>4,702,314</u>
 Total assets.	 <u>13,709,332</u>
Liabilities:	
Accounts payable.	37,002
Accrued wages and benefits	895,026
Pension obligation payable.	246,248
Intergovernmental payable	31,414
Deferred revenue	5,330,038
Accrued interest payable	6,384
Long-term liabilities:	
Due within one year.	219,319
Due within more than one year	1,662,307
Total liabilities	<u>8,427,738</u>
Net Assets:	
Invested in capital assets, net of related debt.	3,317,314
Restricted for:	
Debt service.	1,395,105
State funded programs	2,624
Locally funded programs	10,900
Student activities	34,919
Other purposes	320,616
Unrestricted	<u>200,116</u>
Total net assets	<u><u>\$ 5,281,594</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,231,531	\$ 21,067	\$ 191,086	\$ (5,019,378)
Special	1,138,650	3,872	214,285	(920,493)
Vocational	163,163	674	-	(162,489)
Other	216,255	908	-	(215,347)
Support services:				
Pupil	326,209	1,361	-	(324,848)
Instructional staff	508,515	2,071	11,000	(495,444)
Board of education	55,497	233	-	(55,264)
Administration	900,349	3,553	42,881	(853,915)
Fiscal	350,729	1,405	-	(349,324)
Operations and maintenance	908,032	3,836	-	(904,196)
Pupil transportation	852,034	3,832	-	(848,202)
Central	73,112	265	5,000	(67,847)
Operation of non-instructional services:				
Food service operations	356,682	243,027	98,653	(15,002)
Other non-instructional services	3,687	15	-	(3,672)
Extracurricular activities	491,686	245,428	-	(246,258)
Interest and fiscal charges	88,596	-	-	(88,596)
Total governmental activities	\$ 11,664,727	\$ 531,547	\$ 562,905	(10,570,275)
 General Revenues:				
Property taxes levied for:				
General purposes				4,685,722
Debt service				595,109
Grants and entitlements not restricted				
to specific programs				5,936,190
Investment earnings				104,945
Miscellaneous				71,940
Total general revenues				11,393,906
Change in net assets				823,631
Net assets at beginning of year				4,457,963
Net assets at end of year				\$ 5,281,594

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,639,585	\$ 1,388,950	\$ 80,108	\$ 3,108,643
Receivables:				
Taxes	5,181,164	348,068	-	5,529,232
Accounts	2,417	-	-	2,417
Intergovernmental	-	-	24,781	24,781
Interfund receivable	7,978	-	-	7,978
Materials and supplies inventory	11,227	-	10,102	21,329
Restricted assets:				
Equity in pooled cash and cash equivalents	320,616	-	-	320,616
Total assets	<u>\$ 7,162,987</u>	<u>\$ 1,737,018</u>	<u>\$ 114,991</u>	<u>\$ 9,014,996</u>
Liabilities:				
Accounts payable	\$ 29,733	\$ -	\$ 7,269	\$ 37,002
Accrued wages and benefits	875,593	-	19,433	895,026
Pension obligation payable.	231,070	-	15,178	246,248
Intergovernmental payable.	29,829	-	1,585	31,414
Interfund payable.	-	-	7,978	7,978
Deferred revenue.	5,181,164	348,068	553	5,529,785
Total liabilities	<u>6,347,389</u>	<u>348,068</u>	<u>51,996</u>	<u>6,747,453</u>
Fund Balances:				
Reserved for encumbrances	56,978	-	10,285	67,263
Reserved for materials and supplies inventory.	11,227	-	10,102	21,329
Reserved for debt service.	-	1,388,950	-	1,388,950
Reserved for school bus purchases.	63,848	-	-	63,848
Reserved for capital maintenance	256,768	-	-	256,768
Unreserved, undesignated, reported in:				
General fund	426,777	-	-	426,777
Special revenue funds.	-	-	42,608	42,608
Total fund balances	<u>815,598</u>	<u>1,388,950</u>	<u>62,995</u>	<u>2,267,543</u>
Total liabilities and fund balances	<u>\$ 7,162,987</u>	<u>\$ 1,737,018</u>	<u>\$ 114,991</u>	<u>\$ 9,014,996</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$ 2,267,543
<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.		4,702,314
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 199,194	
Intergovernmental revenue	553	
Total		199,747
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(496,626)	
General obligation bonds payable	(1,385,000)	
Accrued interest payable	(6,384)	
Total		(1,888,010)
Net assets of governmental activities		\$ 5,281,594

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,843,590	\$ 633,050	\$ -	\$ 5,476,640
Tuition.	14,868	-	-	14,868
Earnings on investments.	104,945	-	-	104,945
Charges for services.	-	-	243,027	243,027
Extracurricular.	-	-	244,516	244,516
Classroom materials and fees	28,003	-	1,133	29,136
Other local revenues.	28,605	-	43,335	71,940
Intergovernmental - State.	5,863,362	72,828	41,120	5,977,310
Intergovernmental - Federal	-	-	521,232	521,232
Total revenue	<u>10,883,373</u>	<u>705,878</u>	<u>1,094,363</u>	<u>12,683,614</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,685,203	-	171,756	4,856,959
Special.	910,178	-	210,867	1,121,045
Vocational.	158,449	-	-	158,449
Other.	213,330	-	-	213,330
Support services:				
Pupil.	320,026	-	-	320,026
Instructional staff	486,859	-	11,166	498,025
Board of education	54,747	-	-	54,747
Administration.	835,224	-	42,197	877,421
Fiscal	330,184	10,483	-	340,667
Operations and maintenance.	901,703	-	-	901,703
Pupil transportation	900,593	-	-	900,593
Central.	62,272	-	9,318	71,590
Operation of non-instructional services:				
Food service operations	-	-	353,231	353,231
Other non-instructional services.	3,641	-	-	3,641
Extracurricular activities.	214,467	-	269,834	484,301
Facilities acquisition and construction	207,563	-	-	207,563
Debt service:				
Principal retirement	-	135,000	-	135,000
Interest and fiscal charges	-	89,329	-	89,329
Total expenditures	<u>10,284,439</u>	<u>234,812</u>	<u>1,068,369</u>	<u>11,587,620</u>
Excess of revenues over expenditures	<u>598,934</u>	<u>471,066</u>	<u>25,994</u>	<u>1,095,994</u>
Other financing sources (uses):				
Transfers in	-	-	14,954	14,954
Transfers (out).	(14,954)	-	-	(14,954)
Total other financing sources (uses)	<u>(14,954)</u>	<u>-</u>	<u>14,954</u>	<u>-</u>
Net change in fund balances	583,980	471,066	40,948	1,095,994
Fund balances at beginning of year	<u>231,618</u>	<u>917,884</u>	<u>22,047</u>	<u>1,171,549</u>
Fund balances at end of year.	<u>\$ 815,598</u>	<u>\$ 1,388,950</u>	<u>\$ 62,995</u>	<u>\$ 2,267,543</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH RANGE 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, 2006

Net change in fund balances - total governmental funds	\$	1,095,994
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, on 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 expense (\$335,878) exceeded capital outlay (\$144,927) in the current period.		(190,951)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(195,256)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		135,000
Governmental funds report expenditures for interest when it is due. On the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		733
Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(21,889)
Change in net assets of governmental activities	\$	823,631

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 4,464,486	\$ 4,837,326	\$ 4,843,590	\$ 6,264
Tuition.	13,705	14,849	14,868	19
Earnings on investments.	96,731	104,809	104,945	136
Classroom materials and fees	25,811	27,967	28,003	36
Other local revenues	21,790	23,610	23,641	31
Intergovernmental - State	5,404,442	5,855,780	5,863,362	7,582
Total revenue	<u>10,026,965</u>	<u>10,864,341</u>	<u>10,878,409</u>	<u>14,068</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,524,299	4,653,575	4,656,373	(2,798)
Special.	881,361	906,545	907,090	(545)
Vocational.	158,868	163,407	163,505	(98)
Other.	207,279	213,202	213,330	(128)
Support services:				
Pupil.	307,850	316,646	316,836	(190)
Instructional staff	479,409	493,108	493,404	(296)
Board of education	53,208	54,728	54,761	(33)
Administration.	781,651	803,986	804,469	(483)
Fiscal	323,845	333,098	333,298	(200)
Operations and maintenance.	896,981	922,611	923,166	(555)
Pupil transportation	931,054	957,658	958,234	(576)
Central.	60,744	62,480	62,518	(38)
Operation of non-instructional services	3,540	3,641	3,643	(2)
Extracurricular activities.	206,621	212,525	212,654	(129)
Facilities acquisition and construction.	198,848	204,530	204,653	(123)
Total expenditures	<u>10,015,558</u>	<u>10,301,740</u>	<u>10,307,934</u>	<u>(6,194)</u>
Excess of revenues over (under) expenditures.	<u>11,407</u>	<u>562,601</u>	<u>570,475</u>	<u>7,874</u>
Other financing sources (uses):				
Transfers in.	77,425	83,891	84,000	109
Transfers (out)	(96,014)	(98,757)	(98,953)	(196)
Advances (out)	-	-	(7,978)	(7,978)
Proceeds from sale of capital assets.	2,348	2,544	2,547	3
Total other financing sources (uses)	<u>(16,241)</u>	<u>(12,322)</u>	<u>(20,384)</u>	<u>(8,062)</u>
Net change in fund balance	(4,834)	550,279	550,091	(188)
Fund balance at beginning of year.	1,098,465	1,098,465	1,098,465	-
Prior year encumbrances appropriated	180,343	180,343	180,343	-
Fund balance at end of year	<u>\$ 1,273,974</u>	<u>\$ 1,829,087</u>	<u>\$ 1,828,899</u>	<u>\$ (188)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 56,794
Total assets.	\$ 56,794
Liabilities:	
Accounts payable.	\$ 4,217
Intergovernmental payable	3
Due to students	52,574
Total liabilities	\$ 56,794

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	
Reductions:		
Scholarships awarded	\$	260
		(260)
Change in net assets		
Net assets at beginning of year.		260
Net assets at end of year	\$	-
		-

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 407th largest in the State of Ohio (among the 615 public school districts in the state) in terms of enrollment. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District is staffed by 85 certified and 64 non-certified personnel to provide services to approximately 1,346 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

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

Mahoning County Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

The District uses funds 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 District's major governmental funds:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

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

Bond Retirement Fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds, notes and loans payable.

Other governmental funds of the District are used to account for (a) grants and other resources whose use is restricted to a particular purpose; and (b) food services and uniform school supplies operations.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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, 2006, but which were levied to finance fiscal year 2007 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2006.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2006, investments were limited to repurchase agreements and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$104,945, which includes \$46,400 assigned from other funds.

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

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

G. Inventory

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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:

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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 year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, materials and supplies inventory, debt service, school bus purchases, and capital maintenance.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent monies restricted for statutory reserves and school bus purchases (see Note 15).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 15.

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. This statement also requires governments to disclose in the notes to the basic financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46, and GASB Statement No. 47 did not have an effect on the fund balances and net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Service	\$ 4,147
Entry Year Programs	14
Ohio Reads	11
Title I Disadvantaged Children	201
Drug Free School Grant	720
Improving Teacher Quality	5,716
Miscellaneous Federal Grants	156

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 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$(36,675), exclusive of the \$2,398,216 in repurchase agreements included in investments below. A liability has not been recorded for the negative carrying amount of deposits because there was no actual overdraft due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the “sweeping” of monies into overnight repurchase agreements, which are reported as investments. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, the District’s bank balance was \$0 at June 30, 2006.

C. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreements	\$ 2,398,216	\$ 2,398,216
STAR Ohio	<u>1,123,502</u>	<u>1,123,502</u>
	<u>\$ 3,521,718</u>	<u>\$ 3,521,718</u>

The weighted average maturity of investments is one day.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Percent of Total</u>
Repurchase agreements	\$ 2,398,216	68.10
STAR Ohio	<u>1,123,502</u>	<u>31.90</u>
	<u>\$ 3,521,718</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. 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, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ (36,675)
Investments	3,521,718
Cash on hand	<u>1,010</u>
Total	<u>\$ 3,486,053</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,429,259
Agency funds	<u>56,794</u>
Total	<u>\$ 3,486,053</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2006 consisted of the following, as reported in the fund financial statements:

<u>Transfers from General fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 14,954

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 District prior to June 30. This year, the June 2006 tangible personal property tax settlement was not received until July of 2006.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006 are available to finance fiscal year 2006 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 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.

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 2006 taxes were collected are:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 6 - PROPERTY TAXES – (Continued)

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 124,823,830	89.96	\$ 152,705,920	92.62
Public utility personal property	7,011,250	5.05	6,728,110	4.08
Tangible personal property	<u>6,917,686</u>	<u>4.99</u>	<u>5,437,647</u>	<u>3.30</u>
Total	<u>\$ 138,752,766</u>	<u>100.00</u>	<u>\$ 164,871,677</u>	<u>100.00</u>

Tax rate per \$1,000 of assessed valuation:

General operations	\$ 52.15	\$ 50.75
Bonded debt	4.50	4.50

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes	\$ 5,529,232
Accounts	2,417
Intergovernmental	<u>24,781</u>
Total	<u>\$ 5,556,430</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 60,001	\$ -	\$ -	\$ 60,001
<i>Total capital assets, not being depreciated</i>	<u>60,001</u>	<u>-</u>	<u>-</u>	<u>60,001</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	646,830	-	-	646,830
Buildings and improvements	7,265,951	-	-	7,265,951
Equipment and furniture	1,876,969	25,533	-	1,902,502
Vehicles	<u>941,084</u>	<u>119,394</u>	<u>-</u>	<u>1,060,478</u>
<i>Total capital assets, being depreciated</i>	<u>10,730,834</u>	<u>144,927</u>	<u>-</u>	<u>10,875,761</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(454,933)	(21,687)	-	(476,620)
Buildings and improvements	(3,435,533)	(131,468)	-	(3,567,001)
Equipment and furniture	(1,425,939)	(117,189)	-	(1,543,128)
Vehicles	<u>(581,165)</u>	<u>(65,534)</u>	<u>-</u>	<u>(646,699)</u>
<i>Total accumulated depreciation</i>	<u>(5,897,570)</u>	<u>(335,878)</u>	<u>-</u>	<u>(6,233,448)</u>
Total capital assets, net	<u>\$ 4,893,265</u>	<u>\$ (190,951)</u>	<u>\$ -</u>	<u>\$ 4,702,314</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 150,651
Special	15,693
Vocational	3,298
Other	2,925
<u>Support Services:</u>	
Pupil	4,395
Instructional staff	7,974
Board of education	750
Administration	19,686
Fiscal	8,217
Operations and maintenance	21,156
Pupil transportation	77,593
Central	980
Other non-instructional services	46
Extracurricular activities	13,585
Food service operations	<u>8,929</u>
Total depreciation expense	<u>\$ 335,878</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS

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

Payments of principal and interest relating to this liability are recorded as expenditures in the Bond Retirement fund. The unmatured obligation is accounted for on the statement of net assets.

The following is a description of the general obligation bonds outstanding as of June 30, 2006:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/06</u>	<u>Amounts Due in One Year</u>
General obligation bonds	09/24/93	12/01/13	6.19%	\$ 1,520,000	\$ -	\$ (135,000)	\$ 1,385,000	\$150,000
Total				\$ 1,520,000	\$ -	\$ (135,000)	\$ 1,385,000	\$150,000

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

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 150,000	\$ 80,565	\$ 230,565
2008	160,000	71,033	231,033
2009	170,000	60,885	230,885
2010	180,000	50,123	230,123
2011	190,000	38,745	228,745
2012 - 2014	535,000	45,971	580,971
Total	\$ 1,385,000	\$ 347,322	\$ 1,732,322

- C. For the year ended June 30, 2006, the following changes occurred in the governmental activities long-term obligations.

<u>Governmental Activities</u>	<u>Balance at 06/30/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 06/30/06</u>	<u>Amounts Due in One Year</u>
General obligation bonds	\$ 1,520,000	\$ -	\$ (135,000)	\$ 1,385,000	\$ 150,000
Compensated absences	474,737	61,505	(39,616)	496,626	69,319
Total governmental activities	\$ 1,994,737	\$ 61,505	\$ (174,616)	\$ 1,881,626	\$ 219,319

Compensated absences will be paid out of the fund in which the employee is paid which, for the District, is primarily the general fund. The bonds outstanding are being repaid from the Bond Retirement fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. At June 30, 2006, the effects of these debt limitations are a legal voted debt margin of \$14,842,401 (including available funds of \$1,388,950) and an unvoted debt margin of \$164,872.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments.

The comprehensive commercial insurance coverage limits are \$19,600,173. The business auto coverage limits are \$1,000,000 for liability and \$1,000,000 for uninsured motorists. The District has a liability insurance coverage limit of \$1,000,000 per claim and \$5,000,000 annual aggregate.

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

B. Mahoning County Employee Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts and claims flow. The Consortium is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 is covered by the District's stop-loss carrier, PFL Aegon.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 10 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

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

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

NOTE 11 - 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 (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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$146,495, \$180,092, and \$110,072, respectively. 43.72% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$82,442 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 11 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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 or by calling (614) 227-4090.

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, 2006, 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, 2006, 2005, and 2004 were \$649,452, \$650,579, and \$579,366, respectively. 83.48% has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$107,295 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2006 were \$11,144 made by the District and \$10,904 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) 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.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$49,958 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS Ohio were \$254.780 million and STRS Ohio had 115,395 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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$74,189 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 were \$158.751 million. At June 30, 2006, 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 59,492 participants currently receiving health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 550,091
Net adjustment for revenue accruals	4,964
Net adjustment for expenditure accruals	(107,807)
Net adjustment for other financing sources/uses	5,430
Adjustment for encumbrances	131,302
GAAP basis	\$ 583,980

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 14 – CONTINGENCIES – (Continued)

B. Litigation

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% of true value rather than the 88% 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 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 District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$3,361 per year. A portion of the refund may be recovered from additional State entitlement payments.

The District is not involved in material litigation as either plaintiff or defendant.

NOTE 15 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2005	\$ (39,271)	\$ 256,952
Current year set-aside requirement	188,379	188,379
Qualifying expenditures	<u>(183,047)</u>	<u>(188,563)</u>
Total	<u>\$ (33,939)</u>	<u>\$ 256,768</u>
Balance carried forward to FY2007	<u>\$ (33,939)</u>	<u>\$ 256,768</u>

The District had qualifying expenditures during the year that reduced the instructional materials set-aside amount below zero. The District can, and has chosen to, carry forward this excess amount for the instructional materials set-aside to reduce the set-aside requirements of future years.

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

A schedule of restricted assets at June 30, 2006 follows:

Amount restricted for capital acquisition	\$ 256,768
Amount restricted for school bus purchases	<u>63,848</u>
Total	<u>\$ 320,616</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 16 - SUBSEQUENT EVENTS

On March 20, 2006, the South Range Local Board of Education approved Resolution 38-06 providing for the redemption of school improvement bonds, series 1992, and authorizing and directing the call for optional redemption of the outstanding bonds of that series not previously called for optional redemption, and appropriating money for that purpose. On July 20, 2006, the District issued a warrant in the amount of \$1,402,508.71 in order to redeem the bonds and pay all interest and fiscal charges incurred as of the redemption date.

On January 17, 2007, the South Range Local Board of Education adopted Resolution No. 20-07 declaring the necessity of submitting the single question of issuance of school improvement bonds in the aggregate principal amount of \$20,400,000 for the purpose of constructing, enlarging, renovating, remodeling, furnishing, equipping and otherwise improving real estate for school purposes, and the levy of an additional tax of 0.5 mills to provide funds for the acquisition, construction, enlargement, renovation, and financing of general permanent improvements, to the electors of the school district pursuant to Section 5705.218 of the Ohio Revised Code.

SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$12,522		\$12,522
Nutrition Cluster:						
School Breakfast Program	05PU-2006	10.553	\$10,768		\$10,768	
National School Lunch Program	LLP4-2005	10.555	18,498		18,498	
	LLP4-2006	10.555	58,447		58,447	
Total U.S. Department of Agriculture - Nutrition Cluster			87,713	12,522	87,713	12,522
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2006	84.010	109,970		109,970	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-2005	84.027			2,180	
	6BSF-2006	84.027	257,166		255,529	
	6BSD-2005	84.027			994	
Total Special Education Cluster			257,166		258,703	
Drug - Free Schools Grant	DRS1-2005	84.186			403	
	DRS1-2006	84.186	4,411		5,127	
Total Drug-Free Schools Grant			4,411		5,530	
Innovative Educational Program Strategies	C2S1-2005	84.298			214	
	C2S1-2006	84.298	3,549		3,537	
Total Innovative Educational Program Strategies			3,549		3,751	
Technology Literacy Challenge Fund Grants	TJS1-2006	84.318	2,001		2,001	
Improving Teacher Quality State Grants (Title II Part A)	TRS1-2005	84.367			398	
	TRS1-2006	84.367	40,424		47,687	
Total Title II Part A			40,424		48,085	
Total Department of Education			417,521		428,040	
Totals			\$505,234	\$12,522	\$515,753	\$12,522

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

South Range Local School District
Mahoning County
11836 South Avenue
North Lima, Ohio 44552

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Range Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

South Range Local School District
Mahoning County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 20, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of South Range Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the South Range Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

South Range Local School District
Mahoning County
Independent Accountants' Report On Compliance With Requirements
Applicable To Each Major Federal Program And On Internal Control Over
Compliance In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 20, 2007

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

SOUTH RANGE LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 31, 2007**