



Dave Yost • Auditor of State

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sebring Local School District
Mahoning County
510 North 14th Street
Sebring, Ohio 44672

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 the Sebring Local School District, Mahoning County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Sebring Local School District, Mahoning County, Ohio, as of June 30, 2012, 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 November 6, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

November 6, 2012

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The Management's Discussion and Analysis of the Sebring Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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 fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$546,750 which represents a 5 percent decrease from fiscal year 2011.
- General revenues accounted for \$6,191,455 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,108,964 or 15 percent of total revenues of \$7,300,419.
- The District had \$7,847,169 in expenses related to governmental activities; only \$1,108,964 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,191,455 were not adequate to provide for these programs, as evidenced by the \$546,750 decrease in net assets.
- The District's major governmental funds are the general fund and the bond retirement debt service fund. The general fund balance increased \$72,691, or approximately 34 percent during fiscal year 2012. The bond retirement debt service fund balance increased \$50,072 or 13 percent.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies.

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
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Unaudited

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The District as a Whole

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

The table below provides a summary of the District's net assets for fiscal year 2012 and 2011.

	Net Assets		
	Governmental Activities 2012	Governmental Activities 2011	Increase (Decrease)
<u>Assets</u>			
Current and other assets	\$3,314,924	\$3,445,863	(\$130,939)
Capital assets, net	9,974,753	10,519,250	(544,497)
Total assets	13,289,677	13,965,113	(675,436)
<u>Liabilities</u>			
Current liabilities	2,036,324	2,083,800	(47,476)
Long-term liabilities	1,328,057	1,409,267	(81,210)
Total liabilities	3,364,381	3,493,067	(128,686)
<u>Net Assets</u>			
Invested in capital assets, net of related debt	9,072,125	9,513,688	(441,563)
Restricted	594,708	813,890	(219,182)
Unrestricted	258,463	144,468	113,995
Total net assets	\$9,925,296	\$10,472,046	(\$546,750)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$9,925,296. The decrease in net assets of \$546,750 is due mostly to a decrease in capital assets as a result of annual depreciation being taken on the capital assets.

At year-end, capital assets represented 75 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$9,072,125. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$594,708, represents resources that are subject to external restrictions on how they may be used.

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited*

The table below shows the change in net assets for fiscal year 2012 and 2011.

Table 2
Change in Net Assets
Governmental Activities

	2012	2011	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$497,522	\$487,810	\$9,712
Operating Grants and Contributions	611,442	1,105,639	(494,197)
Capital Grants and Contributions	0	3,000	(3,000)
<i>Total Program Revenues</i>	<u>1,108,964</u>	<u>1,596,449</u>	<u>(487,485)</u>
General Revenues			
Property Taxes	1,291,341	1,329,924	(38,583)
Income Tax	454,527	449,968	4,559
Intergovernmental	4,395,224	4,298,423	96,801
Investment Earnings	915	1,813	(898)
Miscellaneous	49,448	38,432	11,016
<i>Total General Revenues</i>	<u>6,191,455</u>	<u>6,118,560</u>	<u>72,895</u>
<i>Total Revenues</i>	<u>7,300,419</u>	<u>7,715,009</u>	<u>(414,590)</u>
Program Expenses			
Current:			
Instruction:			
Regular	3,063,807	3,168,687	(104,880)
Special	1,767,258	1,769,191	(1,933)
Vocational	7,181	6,576	605
Support Services:			
Pupils	200,327	199,762	565
Instructional Staff	283,059	301,127	(18,068)
Board of Education	12,165	12,509	(344)
Administration	711,260	748,369	(37,109)
Fiscal	259,953	273,573	(13,620)
Operation and Maintenance of Plant	747,143	790,624	(43,481)
Pupil Transportation	180,982	149,299	31,683
Central	42	837	(795)
Operation of Food Services	334,714	273,381	61,333
Extracurricular Activities	238,523	254,456	(15,933)
Interest and Fiscal Charges	40,755	44,387	(3,632)
<i>Total Program Expenses</i>	<u>7,847,169</u>	<u>7,992,778</u>	<u>(145,609)</u>
<i>Change in Net Assets</i>	<u>(546,750)</u>	<u>(277,769)</u>	<u>(268,981)</u>
Net Assets Beginning of Year	<u>10,472,046</u>	<u>10,749,815</u>	<u>(277,769)</u>
<i>Net Assets End of Year</i>	<u><u>\$9,925,296</u></u>	<u><u>\$10,472,046</u></u>	<u><u>(\$546,750)</u></u>

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited*

Governmental Activities

Net assets of the District's governmental activities decreased \$546,750. This decrease is due mostly to a decrease in capital assets. Total governmental expenses of \$7,847,169 were offset by program revenues of \$1,108,964 and general revenues of \$6,191,455. Program revenues supported 14 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 78 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$4,838,246 or 62 percent of total governmental expenses. Support service expenses totaled \$2,394,931 or 31 percent of total governmental expenses for fiscal year 2012.

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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$3,063,807	\$2,888,526	\$3,168,687	\$2,941,709
Special	1,767,258	1,387,325	1,769,191	1,370,312
Vocational	7,181	6,798	6,576	6,229
Support services:				
Pupils	200,327	191,171	199,762	135,065
Instructional staff	283,059	222,448	301,127	(22,472)
Board of education	12,165	11,516	12,509	11,848
Administration	711,260	666,002	748,369	695,936
Fiscal	259,953	246,118	273,573	259,241
Operation and maintenance of plant	747,143	713,396	790,624	628,249
Pupil transportation	180,982	172,525	149,299	142,495
Central	42	42	837	793
Extracurricular activities	238,523	164,246	254,456	181,363
Operation of food services	334,714	27,337	273,381	1,174
Interest and fiscal charges	40,755	40,755	44,387	44,387
Total expenses	\$7,847,169	\$6,738,205	\$7,992,778	\$6,396,329

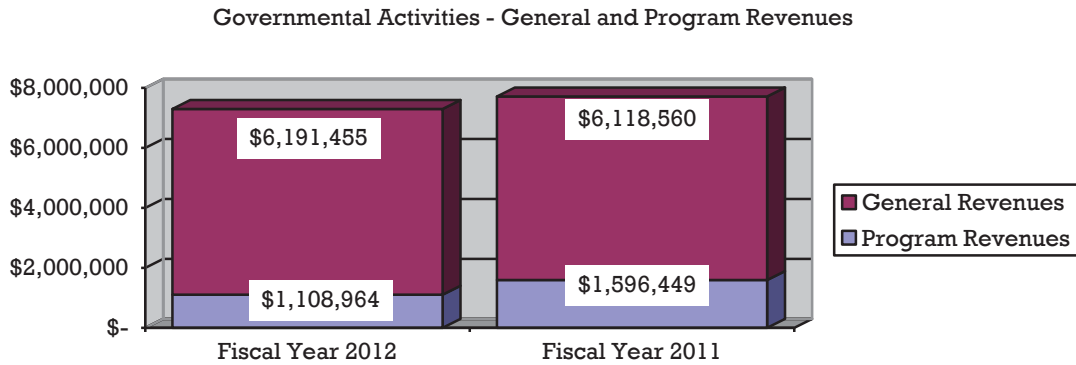
Sebring Local School District

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*Management's Discussion and Analysis
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The dependence upon unrestricted grants and entitlements and general tax revenues for governmental activities is apparent. Over 72 percent of governmental expenses are supported through unrestricted grants and entitlements and property taxes alone. With the passage of the new income tax, the community, as a whole, is by far the primary support for Sebring Local School District students.

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.



The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$860,195, an increase of \$58,382 from the previous fiscal year. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General	\$287,094	\$214,403	\$72,691
Bond Retirement	434,018	383,946	50,072
Other Governmental	139,083	203,464	(64,381)
Total	\$860,195	\$801,813	\$58,382

General Fund

During fiscal year 2012, the District's general fund balance increased by \$72,691. The primary reason for this increase is due to a slight increase in revenues from the prior fiscal year coupled with a decrease in expenditures, most notably the support services line items. This resulted in an overall increase in cash and cash equivalents on hand. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

Sebring Local School District
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Management's Discussion and Analysis
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	2012 Amount	2011 Amount	Percentage Change
<u>Revenues</u>			
Taxes (Property and Income)	\$1,446,670	\$1,490,896	(3.0) %
Tuition and fees	319,750	309,545	3.3 %
Earnings on investments	915	1,813	(49.5) %
Intergovernmental	4,354,400	4,229,957	2.9 %
Other revenues	49,795	53,612	(7.1) %
Total	6,171,530	6,085,823	1.4 %
<u>Expenditures</u>			
Instruction	3,794,002	3,989,024	(4.9) %
Support services	2,115,733	1,965,390	7.6 %
Extracurricular activities	164,104	167,172	(1.8) %
Capital outlay	0	72,973	n/a %
Total	\$6,073,839	\$6,194,559	(1.9) %

Debt Service Fund

The debt service fund had \$180,942 in revenues and \$130,870 in expenditures, resulting in an increase of fund balance of \$50,072 or approximately 13 percent from the previous fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, the final budgeted revenues were \$6,233,300, which was less than the original budgeted revenues estimate of \$6,261,821. The original budgeted revenue amount was based on a conservative worst case scenario approach, which was adjusted in the final revenue estimate. Actual revenues for fiscal year 2012 were \$6,184,349 or \$48,951 lower than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$6,309,766 were increased to \$6,364,170 in the final appropriation. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$6,128,846, which was \$186,373 less than the final budget appropriations. The original and final appropriations were based on conservative estimates at the beginning of the fiscal year based upon anticipated expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012, the District had \$9,974,753 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. This entire amount is reported in governmental activities.

Sebring Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited*

The following table shows fiscal year 2012 balances compared to 2011:

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

	Governmental Activities		
	2012	2011	Increase (Decrease)
Land	\$219,600	\$219,600	\$0
Land improvements	345,341	393,094	(47,753)
Building and improvements	9,252,178	9,715,667	(463,489)
Furniture, fixtures and equipment	15,148	24,721	(9,573)
Vehicles	142,486	166,168	(23,682)
Total	<u>\$9,974,753</u>	<u>\$10,519,250</u>	<u>(\$544,497)</u>

Total additions to capital assets for fiscal year 2012 were \$44,937 and there was one disposal of a school bus that was fully depreciated. The overall decrease in capital assets of \$544,497 is due to annual depreciation of \$589,434 exceeding current year additions.

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

Debt Administration

In fiscal year 2010, the District advance refunded all but \$140,000 of the 1999 Classroom Facilities Improvement Bonds. The refunding Bonds were issued in the amount of \$999,999, and included a premium of \$113,565. The advance refunding resulted in a net present value benefit of \$237,132 and \$304,685 in cash flow savings for the District.

The refunding Bonds will be repaid over 12 years. The District made its scheduled principal payment of \$100,000 on the new bonds during the fiscal year.

See Note 17 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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

The District is faced with a very challenging financial scenario in an eroding tax environment. The overall tax valuation has decreased from \$48,817,739 in 2008 to \$44,467,260 in 2012. One mil of tax valuation is generating less and less revenue for the District. Although House Bill 66, as amended by House Bill 153, is reimbursing the District on the loss of Personal Property Tax Revenue, the potential growth in this tax revenue is non-existent. House Bill 66, as amended by House Bill 153, greatly reduces and eventually eliminates Personal Property Tax and by 2018, the annual revenue stream from personal

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*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited*

property taxes will be eliminated from the revenue sources of the District. The State of Ohio has declared that the Commercial Activity Tax will be allocated to school districts at 57 percent for fiscal year 2012 and 35 percent in fiscal year 2013 and thereafter. Previously, the CAT tax was funding the hold-harmless reimbursement payments at 70 percent.

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

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

The District passed a 1 percent income tax levy on the November 2006 ballot to help stabilize its financial condition, however, income tax collections decreased during the current fiscal year due to an overall economic downturn.

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

Contacting the District's Financial Management

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

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Sebring Local School District

Mahoning County, Ohio

Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,405,053
Accrued Interest Receivable	97
Accounts Receivable	881
Intergovernmental Receivable	51,492
Income Taxes Receivable	170,076
Property Taxes Receivable	1,683,873
Inventory Held for Resale	2,780
Materials and Supplies Inventory	672
Nondepreciable Capital Assets	219,600
Depreciable Capital Assets, Net	9,755,153
<i>Total Assets</i>	<u>13,289,677</u>
Liabilities	
Accounts Payable	38,104
Accrued Wages and Benefits Payable	531,148
Intergovernmental Payable	172,966
Deferred Revenue	1,291,673
Accrued Interest Payable	2,433
Long-Term Liabilities:	
Due Within One Year	130,140
Due In More Than One Year	1,197,917
<i>Total Liabilities</i>	<u>3,364,381</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	9,072,125
Restricted for:	
Capital Projects	130,529
Debt Service	444,813
Classroom Facilities Maintenance	19,366
Unrestricted	258,463
<i>Total Net Assets</i>	<u><u>\$9,925,296</u></u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Statement of Activities
For the Fiscal Year Ended June 30, 2012*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Current:				
Instruction:				
Regular	\$3,063,807	\$124,809	\$50,472	(\$2,888,526)
Special	1,767,258	77,917	302,016	(1,387,325)
Vocational	7,181	383	0	(6,798)
Support Services:				
Pupils	200,327	9,156	0	(191,171)
Instructional Staff	283,059	9,575	51,036	(222,448)
Board of Education	12,165	649	0	(11,516)
Administration	711,260	36,859	8,399	(666,002)
Fiscal	259,953	13,835	0	(246,118)
Operation and Maintenance of Plant	747,143	33,747	0	(713,396)
Pupil Transportation	180,982	8,457	0	(172,525)
Central	42	0	0	(42)
Operation of Food Services	334,714	109,722	197,655	(27,337)
Extracurricular Activities	238,523	72,413	1,864	(164,246)
Interest and Fiscal Charges	40,755	0	0	(40,755)
<i>Total Governmental Activities</i>	<u>\$7,847,169</u>	<u>\$497,522</u>	<u>\$611,442</u>	<u>(6,738,205)</u>
General Revenues				
Property Taxes Levied for:				
				1,036,183
				160,298
				78,075
				16,785
Income Taxes Levied				
				454,527
Grants and Entitlements not				
				4,395,224
				915
				49,448
<i>Total General Revenues</i>				<u>6,191,455</u>
				Change in Net Assets (546,750)
				<i>Net Assets Beginning of Year</i> 10,472,046
				<u><i>Net Assets End of Year</i> \$9,925,296</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$775,078	\$434,018	\$195,957	\$1,405,053
Accrued Interest Receivable	97	0	0	97
Accounts Receivable	881	0	0	881
Interfund Receivable	1,939	0	0	1,939
Intergovernmental Receivable	0	0	51,492	51,492
Income Taxes Receivable	170,076	0	0	170,076
Property Taxes Receivable	1,365,800	195,902	122,171	1,683,873
Inventory Held for Resale	0	0	2,780	2,780
Materials and Supplies Inventory	0	0	672	672
<i>Total Assets</i>	<u>\$2,313,871</u>	<u>\$629,920</u>	<u>\$373,072</u>	<u>\$3,316,863</u>
Liabilities				
Accounts Payable	\$29,556	\$0	\$8,548	\$38,104
Accrued Wages and Benefits Payable	452,209	0	78,939	531,148
Intergovernmental Payable	150,574	0	22,392	172,966
Interfund Payable	0	0	1,939	1,939
Deferred Revenue	1,394,438	195,902	122,171	1,712,511
<i>Total Liabilities</i>	<u>2,026,777</u>	<u>195,902</u>	<u>233,989</u>	<u>2,456,668</u>
Fund Balances				
Nonspendable	0	0	3,452	3,452
Restricted	0	434,018	146,402	580,420
Committed	0	0	42,062	42,062
Assigned	39,434	0	0	39,434
Unassigned (Deficit)	247,660	0	(52,833)	194,827
<i>Total Fund Balances</i>	<u>287,094</u>	<u>434,018</u>	<u>139,083</u>	<u>860,195</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,313,871</u>	<u>\$629,920</u>	<u>\$373,072</u>	<u>\$3,316,863</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012*

Total Governmental Fund Balances	\$860,195
 <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.	9,974,753
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	392,200
Income Taxes	28,638
Total	420,838
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(2,433)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Refunding Bonds	(825,000)
Capital Appreciation Bonds	(49,999)
Accretion on Capital Appreciation Bonds	(26,855)
Deferred Amount on Advanced Refunding	64,694
Unamortized Bond Issuance Premium	(92,323)
Compensated Absences	(398,574)
Total	(1,328,057)
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$9,925,296</u></u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$992,915	\$153,818	\$90,595	\$1,237,328
Income Taxes	453,755	0	0	453,755
Tuition and Fees	319,750	0	0	319,750
Interest	915	0	0	915
Charges for Services	0	0	94,919	94,919
Extracurricular Activities	4,395	0	63,655	68,050
Contributions and Donations	1,325	0	631	1,956
Intergovernmental	4,354,400	27,124	819,983	5,201,507
Miscellaneous	44,075	0	5,373	49,448
<i>Total Revenues</i>	<u>6,171,530</u>	<u>180,942</u>	<u>1,075,156</u>	<u>7,427,628</u>
Expenditures				
Current:				
Instruction:				
Regular	2,330,114	0	184,119	2,514,233
Special	1,456,707	0	313,845	1,770,552
Vocational	7,181	0	0	7,181
Support Services:				
Pupils	171,769	0	28,728	200,497
Instructional Staff	179,047	0	95,984	275,031
Board of Education	12,165	0	0	12,165
Administration	690,226	0	12,433	702,659
Fiscal	260,418	670	0	261,088
Operation and Maintenance of Plant	643,931	0	103,721	747,652
Pupil Transportation	158,135	0	4,156	162,291
Central	42	0	0	42
Operation of Food Services	0	0	309,690	309,690
Extracurricular Activities	164,104	0	66,924	231,028
Capital Outlay	0	0	44,937	44,937
Debt Service:				
Principal Retirement	0	100,000	0	100,000
Interest and Fiscal Charges	0	30,200	0	30,200
<i>Total Expenditures</i>	<u>6,073,839</u>	<u>130,870</u>	<u>1,164,537</u>	<u>7,369,246</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>97,691</u>	<u>50,072</u>	<u>(89,381)</u>	<u>58,382</u>
Other Financing Sources (Uses)				
Transfers In	0	0	25,000	25,000
Transfers Out	(25,000)	0	0	(25,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>0</u>	<u>25,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	72,691	50,072	(64,381)	58,382
<i>Fund Balances Beginning of Year</i>	214,403	383,946	203,464	801,813
<i>Fund Balances End of Year</i>	<u>\$287,094</u>	<u>\$434,018</u>	<u>\$139,083</u>	<u>\$860,195</u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$58,382
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Outlay	44,937
Current Year Depreciation	<u>(589,434)</u>
Total	(544,497)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	54,013
Income Taxes	772
Intergovernmental	<u>(196,797)</u>
Total	(142,012)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	100,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest on Bonds	167
Accretion on Capital Appreciation Bonds	(13,656)
Amortization of Premium	9,804
Amortization of Deferred Amount on Refunding	<u>(6,870)</u>
Total	(10,555)
Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Compensated Absences	<u>(8,068)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>(\$546,750)</u></u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,064,680	\$992,948	\$992,915	(\$33)
Income Taxes	452,500	479,757	472,539	(7,218)
Tuition and Fees	321,416	322,836	319,658	(3,178)
Interest	928	932	923	(9)
Contributions and Donations	1,267	405	92	(313)
Intergovernmental	4,383,773	4,398,133	4,359,790	(38,343)
Miscellaneous	37,257	38,289	38,432	143
<i>Total Revenues</i>	<u>6,261,821</u>	<u>6,233,300</u>	<u>6,184,349</u>	<u>(48,951)</u>
Expenditures				
Current:				
Instruction:				
Regular	2,446,817	2,462,175	2,364,585	97,590
Special	1,509,863	1,511,064	1,465,004	46,060
Vocational	7,369	7,357	7,183	174
Support Services:				
Pupils	178,710	179,777	170,464	9,313
Instructional Staff	173,066	173,925	166,349	7,576
Board of Education	14,278	14,256	14,039	217
Administration	703,937	709,432	669,506	39,926
Fiscal	274,903	276,480	262,581	13,899
Operation and Maintenance of Plant	666,175	668,977	653,904	15,073
Pupil Transportation	161,576	162,205	163,572	(1,367)
Extracurricular Activities	173,072	173,522	166,659	6,863
<i>Total Expenditures</i>	<u>6,309,766</u>	<u>6,339,170</u>	<u>6,103,846</u>	<u>235,324</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(47,945)	(105,870)	80,503	186,373
Other Financing Sources (Uses)				
Transfers Out	0	(25,000)	(25,000)	0
<i>Net Change in Fund Balance</i>	(47,945)	(130,870)	55,503	186,373
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	607,903	607,903	607,903	0
Prior Year Encumbrances Appropriated	45,421	45,421	45,421	0
<i>Fund Balance End of Year</i>	<u>\$605,379</u>	<u>\$522,454</u>	<u>\$708,827</u>	<u>\$186,373</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$32,435</u>	<u>\$8,585</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$8,585</u>
Net Assets		
Held in Trust for Scholarships	<u>\$32,435</u>	

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012*

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$43,064
Deductions	
Scholarships Awarded	<u>14,600</u>
<i>Change in Net Assets</i>	28,464
<i>Net Assets Beginning of Year</i>	<u>3,971</u>
<i>Net Assets End of Year</i>	<u><u>\$32,435</u></u>

See accompanying notes to the basic financial statements

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Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five member Board form of government. Each member is elected to staggered four year terms. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's two instructional support facilities staffed by 37 non-certificated and 50 certified teaching personnel and 5 administrators who provide services to students and other community members.

The School District is located in Sebring Ohio, Mahoning County. The enrollment for the School District during the 2012 fiscal year was approximately 647 students. The School District operates one elementary school (K-6) and one high school (7-12).

Reporting Entity

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

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

The School District participates in two jointly governed organizations and two public entity risk pools. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments, the Mahoning County Career and Technical Center, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Portage Area School Consortium. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

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

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

C. Measurement Focus

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

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

The private purpose trust fund is accounted for using the economic resources measurement focus.

D. Basis of Accounting

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

F. Cash and Cash Equivalents

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

During fiscal year 2012, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$915, which includes \$444 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The School District did not have any prepaid items at June 30, 2012.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. See Note 18 for additional information regarding set asides.

Sebring Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

J. Capital Assets

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

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

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

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Sebring Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Interfund Balances

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

P. Interfund Activity

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

Q. Deferred Amount (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented net of the refunding general obligation bonds payable on the statement of net assets.

R. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

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For the Fiscal Year Ended June 30, 2012

S. 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 2012.

T. Estimates

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

Note 3 – Change in Accounting Principle and Restatement of Budget Basis Fund Balance

A. Change in Accounting Principle

For fiscal year 2012, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53”.

GASB Statement No. 64 improves financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. The implementation of GASB Statement No. 64 did not have any effect on the District’s financial statements.

B. Restatement of Prior Year Budget Basis Fund Balance

	<u>General</u>
Fund Balance at June 30, 2011	\$616,857
Change in Fund Structure	<u>(8,954)</u>
Adjusted Fund Balance at June 30, 2011	<u>\$607,903</u>

The public school support special revenue fund was improperly included with the general fund on a budgetary basis during the implementation of GASB Statement No. 54 in the prior fiscal year.

Note 4 – Accountability

Fund balances at June 30, 2012 included individual fund deficits in the Food Service, Education Jobs and Race to the Top special revenue funds in the amounts of \$22,166, \$25,017 and \$2,198, respectively. These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Sebring Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP basis).
4. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the public school support special revenue fund.

Net Change in Fund Balance	
GAAP Basis	\$72,691
Net Adjustment for Revenue Accruals	17,513
Net Adjustment for Funds Budgeted as Special Revenue	(4,694)
Net Adjustment for Expenditure Accruals	33,678
Adjustment for Encumbrances	<u>(63,685)</u>
Budget Basis	<u><u>\$55,503</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

A - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,073,987 of the District's bank balance of \$1,575,714 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The carrying amount of all School District deposits was \$1,446,073 at fiscal year end.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

B - Investments

As of June 30, 2012, the School District had no investments.

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

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The School District had no investments at June 30, 2012.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$1,446,073
Investments	0
Total	<u>\$1,446,073</u>
<u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$1,405,053
Private-purpose trust funds	32,435
Agency funds	8,585
Total	<u>\$1,446,073</u>

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the School District at June 30, 2012 and June 30, 2011.

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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$46,738,470	96.73 %	\$42,754,350	96.15 %
Public Utility Personal	1,581,450	3.27	1,712,910	3.85
Total	<u>\$48,319,920</u>	<u>100.00 %</u>	<u>\$44,467,260</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$59.30		\$59.30	

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<i>Nonspendable</i>				
<i>Inventory</i>	<i>\$0</i>	<i>\$0</i>	<i>\$3,452</i>	<i>\$3,452</i>
<i>Restricted for</i>				
<i>Classroom Maintenance</i>	<i>0</i>	<i>0</i>	<i>14,958</i>	<i>14,958</i>
<i>Special Education</i>	<i>0</i>	<i>0</i>	<i>22,557</i>	<i>22,557</i>
<i>Classroom Size Reduction</i>	<i>0</i>	<i>0</i>	<i>584</i>	<i>584</i>
<i>Debt Service Payments</i>	<i>0</i>	<i>434,018</i>	<i>0</i>	<i>434,018</i>
<i>Capital Improvements</i>	<i>0</i>	<i>0</i>	<i>108,303</i>	<i>108,303</i>
<i>Total Restricted</i>	<i>0</i>	<i>434,018</i>	<i>146,402</i>	<i>580,420</i>
<i>Committed to</i>				
<i>After School Programs</i>	<i>0</i>	<i>0</i>	<i>42,062</i>	<i>42,062</i>
<i>Assigned to</i>				
<i>Other Purposes</i>	<i>4,505</i>	<i>0</i>	<i>0</i>	<i>4,505</i>
<i>Encumbrances</i>	<i>34,929</i>	<i>0</i>	<i>0</i>	<i>34,929</i>
<i>Total Assigned</i>	<i>39,434</i>	<i>0</i>	<i>0</i>	<i>39,434</i>
<i>Unassigned (Deficit)</i>	<i>247,660</i>	<i>0</i>	<i>(52,833)</i>	<i>194,827</i>
<i>Total Fund Balances</i>	<i>\$287,094</i>	<i>\$434,018</i>	<i>\$139,083</i>	<i>\$860,195</i>

Note 9 - Receivables

Receivables at June 30, 2012 consisted of property taxes, income taxes, intergovernmental grants and entitlements, accounts receivable and accrued interest. 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:

<u>Governmental Activities:</u>	
Property Taxes	\$1,683,873
Income Taxes	170,076
Intergovernmental	51,492
Accounts Receivable	881
Accrued Interest	97
Total	<u>\$1,906,419</u>

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For the Fiscal Year Ended June 30, 2012

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

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12
Governmental Activities:				
Capital assets not being depreciated				
Land	\$219,600	\$0	\$0	\$219,600
Capital assets being depreciated				
Land Improvements	1,111,513	0	0	1,111,513
Buildings and improvements	16,278,949	31,828	0	16,310,777
Furniture, fixtures and equipment	917,028	13,109	0	930,137
Library Books	168,009	0	0	168,009
Vehicles	375,262	0	(58,847)	316,415
Total capital assets being depreciated	18,850,761	44,937	(58,847)	18,836,851
Accumulated depreciation				
Land Improvements	(718,419)	(47,753)	0	(766,172)
Buildings and improvements	(6,563,282)	(495,317)	0	(7,058,599)
Furniture, fixtures and equipment	(892,307)	(22,682)	0	(914,989)
Library Books	(168,009)	0	0	(168,009)
Vehicles	(209,094)	(23,682)	58,847	(173,929)
Total accumulated depreciation	(8,551,111)	(589,434) *	58,847	(9,081,698)
Capital assets being depreciated, net	10,299,650	(544,497)	0	9,755,153
Governmental activities capital assets, net	\$10,519,250	(\$544,497)	\$0	\$9,974,753

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$535,438
Support Services:	
Administration	8,062
Operation and Maintenance of Plant	10,970
Pupil Transportation	18,355
Operation of Food Services	9,114
Extracurricular	7,495
Total Depreciation Expense	<u>\$589,434</u>

Sebring Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 11 – School District Income Tax

The voters of the District passed a 1 percent, five year, school district income tax in the November 2006 election that became effective January 1, 2007. School district income tax revenue received by the General Fund during fiscal year 2012 was \$453,755.

Note 12 - Interfund Activity

A – Interfund Transfers

During fiscal year 2012 the general fund transferred \$25,000 to the food service special revenue fund to help cover operating costs.

B - Interfund Receivable/Payable

At June 30, 2012 an interfund receivable/payable existed between the general fund and the Race to the Top Grant special revenue fund in the amount of \$1,939. The purpose of this interfund balance was to cover a negative cash balance in the fund at June30th.

Note 13 - Risk Management

A. Comprehensive

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Building and Contents - Replacement Cost (\$5,000 deductible)	\$25,382,810
Boiler and Machinery (\$500 deductible)	14,145,000
Inland Marine Coverage (\$100 deductible)	62,500
General Liability:	
in aggregate	2,000,000
Per occurrence	1,000,000
Fleet Insurance:	
Uninsured motorists	1,000,000
Comprehensive (deductibles; \$1,000 bus / \$250 other)	1,000,000
Collision (deductibles; \$1,000 bus / \$500 other)	1,000,000

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

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B. Employee Group Health, Disability and Life Insurance

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

C. Workers' Compensation Plan

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

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

Note 14 - Pension Plans

A - School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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Notes to the Basic Financial Statements
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Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$106,733, \$108,284, and \$105,452, respectively; 72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B - State Teachers Retirement System

Plan Description - 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Plan Options - New members have a choice of three retirement plan; 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 multiplies by a percentage that varies based on years of service, or an allowance based on a member's 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 member may elect to receive a lifetime monthly annuity or lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by the Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$376,002, \$403,276, and \$386,441, respectively; 84 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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Contributions made to STRS Ohio for the DC Plan for fiscal year 2012 were \$7,154 made by the School District and \$5,110 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

Note 15 – Postemployment Benefits

A - School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75 percent. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$6,303, \$6,968 and \$6,271, which equaled the required contributions each year.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2012, the health care allocation is 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$17,358, \$31,449 and

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

\$26,825, respectively; 72 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B - State Teachers Retirement System

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by visiting the STRS Ohio website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2012, 2011 and 2010 were \$28,923, \$31,021 and \$29,726 respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 16 - Compensated Absences

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 17 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts due in One Year
General Obligation Bonds:					
2010 Classroom Facilities					
Improvement Refunding Bonds:					
Current Interest Serial Bonds	\$700,000	\$0	(\$100,000)	\$600,000	\$100,000
Current Interest Term Bonds	225,000	0	0	225,000	0
Capital Appreciation Bonds	49,999	0	0	49,999	0
Accretion on Capital Appreciation Bonds	13,199	13,656	0	26,855	0
Unamortized Premium on Refunding Bonds	102,127	0	(9,804)	92,323	0
Deferred Amount on Refunding	(71,564)	0	6,870	(64,694)	0
Total General Obligation Bonds	1,018,761	13,656	(102,934)	929,483	100,000
Other Long-Term Obligations:					
Compensated Absences	390,506	53,547	(45,479)	398,574	30,140
Total Long-Term Obligations	\$1,409,267	\$67,203	(\$148,413)	\$1,328,057	\$130,140

On April 21, 2010, the District issued Classroom Facilities Improvement Advance Refunding Bonds in the amount of \$999,999 (par value) with interest rates ranging from 2.0 percent to 4.2 percent to advance refund \$1,150,000 of the 1999 Classroom Facilities Improvement Bonds with rates ranging from 4.0 percent to 6.125 percent. The term bonds mature 12/1/2021 and are callable 12/1/2010. The refunding bonds were issued at a premium of \$113,565 and, after paying issuance costs of \$33,985, the net proceeds were \$1,229,579. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds were called on 12/1/2010. The advance refunding met the requirements of an in-substance debt defeasance and all of the 1999 Classroom Facilities Improvement Bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$304,685, which resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$237,132.

Compensated absences will be paid from the general fund and the food service, Education Jobs, IDEA part B and the Title I special revenue funds.

The School District's overall legal debt margin was \$3,506,588 with an unvoted debt margin of \$44,467 at June 30, 2012. Principal requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Fiscal year Ending June 30,	2010 Advance Refunding Bonds (Term & Serial)		2010 Advance Refunding Bonds (Capital Appreciation Bonds)	
	Principal	Interest	Principal	Interest
2013	\$100,000	\$27,950	\$0	\$0
2014	100,000	25,200	0	0
2015	100,000	22,200	0	0
2016	100,000	19,075	0	0
2017	0	17,450	27,437	72,563
2018-2022	425,000	53,905	22,562	77,438
<i>Total</i>	<u>\$825,000</u>	<u>\$165,780</u>	<u>\$49,999</u>	<u>\$150,001</u>

Note 18 - Set-Asides

In prior years, the District was required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials. However, this State statute was repealed by 129th General Assembly, File No. 8, HB 30, § 2, eff. 7/1/11.

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

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2011	(\$187,415)	\$0	\$24,007
Current Year Set-Aside Requirement	0	107,697	0
Qualifying Disbursements	0	(189,150)	(24,007)
State Statute Repealed, Effective 7/1/11	187,415	0	0
Current Year Offsets	0	(85,677)	0
Total	<u>\$0</u>	<u>(\$167,130)</u>	<u>\$0</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Cash balance as of June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 19 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid \$13,452 to ACCESS during fiscal year 2012. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2012, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

Note 20 - Public Entity Risk Pool

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

B. Portage Area School Consortium

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

Note 21 - Contingencies

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2012.

SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

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>						
Nutrition Cluster:						
National School Breakfast Program	104034-3L70	10.553	\$ 32,197		\$ 32,197	
National School Lunch Program	104034-3L60	10.555	152,504	8,636	152,504	8,636
Total U.S. Department of Agriculture - Nutrition Cluster			184,701	8,636	184,701	8,636
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	104034-3M20-11	84.027	12,084		17,936	
	104034-3M20-12	84.027	134,183		129,738	
ARRA - Special Education IDEA	104034-3DJ0	84.391	3,535		3,752	
Total Special Education Cluster			149,802		151,426	
Grants to Local Educational Agencies (ESEA Title I)	104034-3M00-11	84.010	51,677		55,468	
	104034-3M00-12	84.010	177,949		167,848	
Total Grants to Local Educational Agencies Cluster			229,626		223,316	
Title II-D Technology Literacy Challenge Fund Grant	104034-3S20	84.318	1,394		1,394	
Title II-A Improving Teacher Quality	104034-3Y60-11	84.367	5,098		3,934	
	104034-3Y60-12	84.367	32,189		31,325	
Total Title II-A Improving Teacher Quality			37,287		35,259	
ARRA - SFSF Race to the Top	104034-3FD0-11	84.395	569		-	
	104034-3FD0-12	84.395	29,704		31,644	
Total ARRA - SFSF Race to the Top			30,273		31,644	
Education Jobs Fund	104034-3ET0	84.410	144,282		153,993	
Total U.S. Department of Education			592,664		597,032	
Total Federal Awards Receipts and Expenditures			\$ 777,365	\$ 8,636	\$ 781,733	\$ 8,636

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

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Sebring Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated commodities.



Dave Yost • Auditor of State

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

Sebring Local School District
Mahoning County
510 North 14th Street
Sebring, Ohio 44672

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 Sebring Local School District, Mahoning County, Ohio, (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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*.

We intend this report solely for the information and use of the management, the audit committee, Board of Education, others within the District, 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 "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

November 6, 2012



Dave Yost • Auditor of State

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

Sebring Local School District
Mahoning County
510 North 14th Street
Sebring, Ohio 44672

To the Board of Education:

Compliance

We have audited the compliance of Sebring Local School District, Mahoning County, Ohio, (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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Sebring Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

November 6, 2012

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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):	Nutrition Cluster (CFDA#10.553, and #10.555 Title I CFDA#84.010
<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

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Dave Yost • Auditor of State

SEBRING LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 2, 2013