



Dave Yost • Auditor of State

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sebring Local School District
Mahoning County
510 North 14th Street
Sebring, Ohio 44672-1400

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Sebring Local School District, Mahoning County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard Board Statement No 63, "*Financial Reporting of deferred Outflows of resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items Previously reported as Assets and Liabilities*". We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 25, 2014

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Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$770,631 which represents an 8 percent decrease from fiscal year 2012.
- General revenues accounted for \$6,026,849 in revenue or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,111,333 or 16 percent of total revenues of \$7,138,182.
- The District had \$7,908,813 in expenses related to governmental activities; only \$1,111,333 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 \$6,026,849 were not adequate to provide for these programs, as evidenced by the \$770,631 decrease in net position.
- The District's major governmental funds are the general fund and the bond retirement debt service fund. The general fund balance decreased \$355,723, or approximately 124 percent during fiscal year 2013. Cash and cash equivalents within the general fund decreased \$284,691 from the prior fiscal year, which is the main reason for the large decrease in fund balance.
- The bond retirement debt service fund balance increased \$46,340 to \$ 480,358, or 11 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 Position* 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 District, and are the only governmental funds reported as a major.

Reporting the District as a Whole

Statement of Net Position 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,

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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“How did we do financially during 2013?” The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s *net position* and changes in those assets. This change in net position 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 Position 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 Position 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 District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The 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, 2013
Unaudited

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for fiscal year 2013 and 2012.

Net Position (Table 1)			
Governmental Activities			
	2013	(Restated) 2012	Change
Assets			
Current and Other Assets	\$3,050,536	\$3,314,924	(\$264,388)
Capital Assets, Net	9,482,469	10,062,957	(580,488)
<i>Total Assets</i>	<u>12,533,005</u>	<u>13,377,881</u>	<u>(844,876)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	57,824	64,694	(6,870)
Liabilities			
Current Liabilities	812,920	744,651	68,269
Long-Term Liabilities			
Due within One Year	107,337	130,140	(22,803)
Due in More than One Year	1,133,748	1,262,611	(128,863)
<i>Total Liabilities</i>	<u>2,054,005</u>	<u>2,137,402</u>	<u>(83,397)</u>
Deferred Inflows of Resources			
Property Taxes	1,293,955	1,291,673	2,282
Net Position			
Net Investment in Capital Assets	8,682,775	9,160,329	(477,554)
Restricted	684,000	594,708	89,292
Unrestricted (Deficit)	(123,906)	258,463	(382,369)
<i>Total Net Position</i>	<u>\$9,242,869</u>	<u>\$10,013,500</u>	<u>(\$770,631)</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets plus deferred outflows exceeded liabilities plus deferred inflows by \$9,242,869. The decrease in net position of \$770,631 is due mostly to a decrease in capital assets as a result of annual depreciation being taken on the capital assets as well as a significant decrease in cash and cash equivalents.

At year-end, capital assets represented 76 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. The District's net investment in capital assets at June 30, 2013, was \$8,682,775. 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 position, \$684,000, 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
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Unaudited

The table below shows the change in net position for fiscal year 2013 and 2012.

Table 2			
Change in Net Position Governmental Activities			
	2013	(Restated) 2012	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$474,796	\$497,522	(\$22,726)
Operating Grants and Contributions	636,537	611,442	25,095
<i>Total Program Revenues</i>	1,111,333	1,108,964	2,369
General Revenues			
Property Taxes	1,154,010	1,291,341	(137,331)
Income Tax	465,565	454,527	11,038
Intergovernmental	4,199,549	4,395,224	(195,675)
Investment Earnings	398	915	(517)
Miscellaneous	207,327	49,448	157,879
<i>Total General Revenues</i>	6,026,849	6,191,455	(164,606)
<i>Total Revenues</i>	7,138,182	7,300,419	(162,237)
Program Expenses			
Current:			
Instruction:			
Regular	2,982,911	3,063,807	(80,896)
Special	1,900,740	1,767,258	133,482
Vocational	4,720	7,181	(2,461)
Support Services:			
Pupils	175,589	200,327	(24,738)
Instructional Staff	290,471	283,059	7,412
Board of Education	15,451	12,165	3,286
Administration	721,101	711,260	9,841
Fiscal	264,816	259,953	4,863
Operation and Maintenance of Plant	745,941	747,143	(1,202)
Pupil Transportation	208,711	180,982	27,729
Central	2,215	42	2,173
Operation of Food Services	319,695	334,714	(15,019)
Extracurricular Activities	235,039	238,523	(3,484)
Interest and Fiscal Charges	41,413	40,755	658
<i>Total Program Expenses</i>	7,908,813	7,847,169	61,644
<i>Change in Net Position</i>	(770,631)	(546,750)	(223,881)
Net Position Beginning of Year - Restated	10,013,500	10,560,250	(546,750)
<i>Net Position End of Year</i>	\$9,242,869	\$10,013,500	(\$770,631)

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Governmental Activities

Net position of the District's governmental activities decreased \$770,631. This decrease is due mostly to a decrease in capital assets and cash and cash equivalents. Total governmental expenses of \$7,908,813 were offset by program revenues of \$1,111,333 and general revenues of \$6,026,849. Program revenues supported 14 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 82 percent of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instruction, which totaled \$4,888,371 or 62 percent of total governmental expenses. Support service expenses totaled \$2,424,295 or 31 percent of total governmental expenses for fiscal year 2013.

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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$2,982,911	\$2,792,105	\$3,063,807	\$2,888,526
Special	1,900,740	1,557,195	1,767,258	1,387,325
Vocational	4,720	4,495	7,181	6,798
Support services:				
Pupils	175,589	167,213	200,327	191,171
Instructional staff	290,471	213,492	283,059	222,448
Board of education	15,451	14,714	12,165	11,516
Administration	721,101	672,886	711,260	666,002
Fiscal	264,816	252,562	259,953	246,118
Operation and maintenance of plant	745,941	713,091	747,143	713,396
Pupil transportation	208,711	199,631	180,982	172,525
Central	2,215	2,110	42	42
Extracurricular activities	235,039	141,501	238,523	164,246
Operation of food services	319,695	25,072	334,714	27,337
Interest and fiscal charges	41,413	41,413	40,755	40,755
Total expenses	\$7,908,813	\$6,797,480	\$7,847,169	\$6,738,205

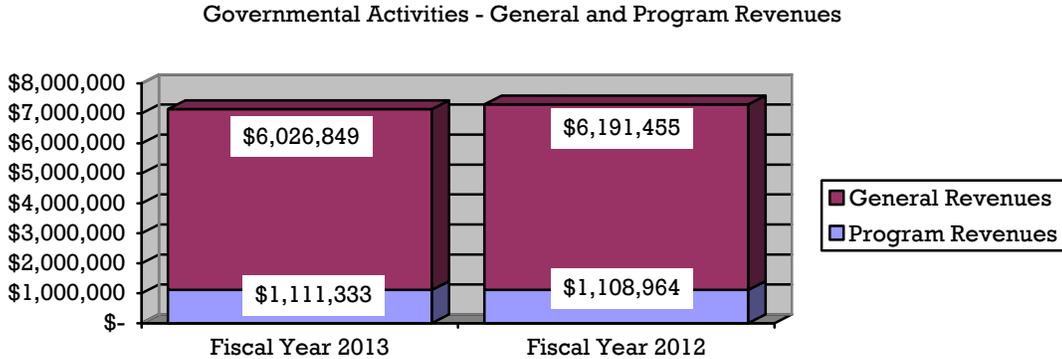
Sebring Local School District

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*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited*

The dependence upon unrestricted grants and entitlements and general tax revenues for governmental activities is apparent. Over 67 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 District students.

The graph below presents the District's governmental activities revenue for fiscal year 2013 and 2012.



The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$630,350, a decrease of \$229,845 from the previous fiscal year. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance (Deficit) June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)
General	(\$68,629)	\$287,094	(\$355,723)
Bond Retirement	480,358	434,018	46,340
Other Governmental	218,621	139,083	79,538
Total	\$630,350	\$860,195	(\$229,845)

General Fund

During fiscal year 2013, the District's general fund balance decreased by \$355,723. Revenues in the general fund remained consistent with the prior fiscal year, however, expenditures increased by \$430,393 from the prior fiscal year. An increase in accrued wages and the related benefits over the prior fiscal year were a large part of this increase in expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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Management's Discussion and Analysis
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Unaudited

	2013 Amount	2012 Amount	Percentage Change
<u>Revenues</u>			
Taxes (Property and Income)	\$1,479,623	\$1,446,670	2.3 %
Tuition and fees	308,240	319,750	(3.6) %
Earnings on investments	398	915	(56.5) %
Intergovernmental	4,160,754	4,354,400	(4.4) %
Other revenues	217,775	49,795	337.3 %
Total	6,166,790	6,171,530	(0.1) %
<u>Expenditures</u>			
Instruction	4,042,886	3,794,002	6.6 %
Support services	2,318,648	2,115,733	9.6 %
Extracurricular activities	142,698	164,104	(13.0) %
Total	\$6,504,232	\$6,073,839	7.1 %

Bond Retirement Fund

The bond retirement fund had \$177,615 in revenues and \$131,275 in expenditures, resulting in an increase of fund balance of \$46,340 or approximately 11 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 2013, the District amended its general fund budget several times. For the general fund, the final budgeted revenues were \$6,099,919, which was more than the original budgeted revenues estimate of \$5,883,395. 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 2013 were \$6,126,436 or \$26,517 higher than the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$6,178,353 were increased to \$6,632,851 in the final appropriation. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$6,609,193, which was \$23,658 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 2013, the District had \$9,482,469 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, library books and vehicles. This entire amount is reported in governmental activities.

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Mahoning County, Ohio

Management's Discussion and Analysis
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The following table shows fiscal year 2013 balances compared to 2012:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities		Increase (Decrease)
	2013	(Restated) 2012	
Land	\$219,600	\$219,600	\$0
Land improvements	302,537	345,341	(42,804)
Building and improvements	8,757,324	9,252,178	(494,854)
Furniture, fixtures and equipment	84,205	103,352	(19,147)
Vehicles	118,803	142,486	(23,683)
Total	\$9,482,469	\$10,062,957	(\$580,488)

Total additions to capital assets for fiscal year 2013 were \$6,200 and there were no disposals. The overall decrease in capital assets of \$580,488 is due to annual depreciation of \$586,688 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 issued refunding Bonds in the amount of \$999,999 which 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 and the District made its scheduled principal payment of \$100,000 on the bonds during the fiscal year. A balance of \$900,978 remained on the bonds at June 30, 2013, with \$100,000 being due next 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 also has to deal with the rising costs of goods and services due to inflation. 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 \$44,574,580 in 2013. 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 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 35 percent in fiscal year

Sebring Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
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Unaudited

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, however, our current five year forecast continues to show very low end of year 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 District, 510 North 14th Street, Sebring, Ohio, 44672-1400.

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Sebring Local School District

Mahoning County, Ohio

Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,188,429
Accrued Interest Receivable	126
Accounts Receivable	12,141
Intergovernmental Receivable	89,418
Income Taxes Receivable	175,475
Property Taxes Receivable	1,580,259
Inventory Held for Resale	3,896
Materials and Supplies Inventory	792
Nondepreciable Capital Assets	219,600
Depreciable Capital Assets, Net	9,262,869
<i>Total Assets</i>	<u>12,533,005</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>57,824</u>
Liabilities	
Accounts Payable	11,433
Accrued Wages and Benefits Payable	638,739
Intergovernmental Payable	141,151
Matured Compensated Absences Payable	19,372
Accrued Interest Payable	2,225
Long-Term Liabilities:	
Due Within One Year	107,337
Due In More Than One Year	1,133,748
<i>Total Liabilities</i>	<u>2,054,005</u>
Deferred Inflows of Resources	
Property Taxes	<u>1,293,955</u>
Net Position	
Net Investment in Capital Assets	8,682,775
Restricted for:	
Capital Projects	180,384
Debt Service	469,720
Other Purposes	33,896
Unrestricted (Deficit)	(123,906)
<i>Total Net Position</i>	<u><u>\$9,242,869</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, 2013*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$2,982,911	\$114,044	\$76,762	(\$2,792,105)
Special	1,900,740	78,588	264,957	(1,557,195)
Vocational	4,720	225	0	(4,495)
Support Services:				
Pupils	175,589	8,376	0	(167,213)
Instructional Staff	290,471	11,209	65,770	(213,492)
Board of Education	15,451	737	0	(14,714)
Administration	721,101	33,965	14,250	(672,886)
Fiscal	264,816	12,254	0	(252,562)
Operation and Maintenance of Plant	745,941	32,850	0	(713,091)
Pupil Transportation	208,711	9,080	0	(199,631)
Central	2,215	105	0	(2,110)
Operation of Food Services	319,695	85,240	209,383	(25,072)
Extracurricular Activities	235,039	88,123	5,415	(141,501)
Interest and Fiscal Charges	41,413	0	0	(41,413)
<i>Total Governmental Activities</i>	<u>\$7,908,813</u>	<u>\$474,796</u>	<u>\$636,537</u>	<u>(6,797,480)</u>
General Revenues				
Property Taxes Levied for:				
				919,379
				147,291
				71,608
				15,732
Income Taxes Levied for:				
				465,565
Grants and Entitlements not				
				4,199,549
				398
				207,327
				<u>6,026,849</u>
				Change in Net Position (770,631)
				<i>Net Position Beginning of Year - Restated (See Note 3)</i> 10,013,500
				<u><u>Net Position End of Year \$9,242,869</u></u>

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$490,387	\$480,358	\$217,684	\$1,188,429
Accrued Interest Receivable	126	0	0	126
Accounts Receivable	12,141	0	0	12,141
Interfund Receivable	5,043	0	0	5,043
Intergovernmental Receivable	0	0	89,418	89,418
Income Taxes Receivable	175,475	0	0	175,475
Property Taxes Receivable	1,272,733	191,006	116,520	1,580,259
Inventory Held for Resale	0	0	3,896	3,896
Materials and Supplies Inventory	0	0	792	792
<i>Total Assets</i>	<u>\$1,955,905</u>	<u>\$671,364</u>	<u>\$428,310</u>	<u>\$3,055,579</u>
Liabilities				
Accounts Payable	\$10,174	\$0	\$1,259	\$11,433
Accrued Wages and Benefits Payable	567,011	0	71,728	638,739
Intergovernmental Payable	126,012	0	15,139	141,151
Matured Compensated Absences Payable	19,372	0	0	19,372
Interfund Payable	0	0	5,043	5,043
<i>Total Liabilities</i>	<u>722,569</u>	<u>0</u>	<u>93,169</u>	<u>815,738</u>
Deferred Inflows of Resources				
Property Taxes	1,042,523	155,959	95,473	1,293,955
Unavailable Revenue - Property Taxes	230,210	35,047	21,047	286,304
Unavailable Revenue - Income Tax	29,232	0	0	29,232
<i>Total Deferred Inflows of Resources</i>	<u>1,301,965</u>	<u>191,006</u>	<u>116,520</u>	<u>1,609,491</u>
Fund Balances				
Nonspendable	0	0	792	792
Restricted	0	480,358	198,498	678,856
Committed	0	0	42,104	42,104
Assigned	201,059	0	0	201,059
Unassigned (Deficit)	(269,688)	0	(22,773)	(292,461)
<i>Total Fund Balances</i>	<u>(68,629)</u>	<u>480,358</u>	<u>218,621</u>	<u>630,350</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,955,905</u>	<u>\$671,364</u>	<u>\$428,310</u>	<u>\$3,055,579</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2013*

Total Governmental Fund Balances	\$630,350
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***Amounts reported for governmental activities in the
statement of net position are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 9,482,469

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.

Property Taxes	286,304
Income Taxes	<u>29,232</u>

Total	315,536
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In the statement of activities, interest is accrued on outstanding general obligation bonds and leases, whereas in governmental funds, an interest expenditure is reported when due. (2,225)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(725,000)
Capital Appreciation Bonds	(49,999)
Accretion on Bonds	(43,460)
Unamortized Premium	(82,519)
Deferred Charge on Refunding	57,824
Compensated Absences	<u>(340,107)</u>

Total	<u>(1,183,261)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$9,242,869</u></u>
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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, 2013

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,014,652	\$152,327	\$92,927	\$1,259,906
Income Taxes	464,971	0	0	464,971
Tuition and Fees	308,240	0	0	308,240
Interest	398	0	0	398
Charges for Services	0	0	85,240	85,240
Extracurricular Activities	2,578	0	81,316	83,894
Contributions and Donations	14,250	0	2,837	17,087
Intergovernmental	4,160,754	25,288	630,379	4,816,421
Miscellaneous	200,947	0	6,380	207,327
<i>Total Revenues</i>	<u>6,166,790</u>	<u>177,615</u>	<u>899,079</u>	<u>7,243,484</u>
Expenditures				
Current:				
Instruction:				
Regular	2,392,699	0	64,093	2,456,792
Special	1,645,467	0	270,946	1,916,413
Vocational	4,720	0	0	4,720
Support Services:				
Pupils	176,380	0	0	176,380
Instructional Staff	235,005	0	46,656	281,661
Board of Education	15,451	0	0	15,451
Administration	748,517	0	1,000	749,517
Fiscal	265,802	3,325	4,604	273,731
Operation and Maintenance of Plant	686,465	0	44,506	730,971
Pupil Transportation	188,813	0	0	188,813
Central	2,215	0	0	2,215
Operation of Food Services	0	0	309,938	309,938
Extracurricular Activities	142,698	0	90,280	232,978
Capital Outlay	0	0	5,799	5,799
Debt Service:				
Principal Retirement	0	100,000	0	100,000
Interest and Fiscal Charges	0	27,950	0	27,950
<i>Total Expenditures</i>	<u>6,504,232</u>	<u>131,275</u>	<u>837,822</u>	<u>7,473,329</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(337,442)</u>	<u>46,340</u>	<u>61,257</u>	<u>(229,845)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	18,281	18,281
Transfers Out	(18,281)	0	0	(18,281)
<i>Total Other Financing Sources (Uses)</i>	<u>(18,281)</u>	<u>0</u>	<u>18,281</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(355,723)	46,340	79,538	(229,845)
<i>Fund Balances Beginning of Year</i>	287,094	434,018	139,083	860,195
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$68,629)</u>	<u>\$480,358</u>	<u>\$218,621</u>	<u>\$630,350</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, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$229,845)

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets are
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	6,200	
Current Year Depreciation	<u>(586,688)</u>	
Total		(580,488)

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

Property Taxes	(105,896)	
Intergovernmental	<u>594</u>	
Total		(105,302)

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 position. 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	208	
Accreted Interest on Bonds	(16,605)	
Amortization of Premium	9,804	
Amortization of Deferred Amount of Advance Refunding	<u>(6,870)</u>	
Total		(13,463)

Some expenses reported in the statement of activities, such as
compensated absences, do not require the use of current financial
resources and therefore are not reported as expenditures
in governmental funds. 58,467

Change in Net Position of Governmental Activities (\$770,631)

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,006,462	\$1,014,652	\$1,014,652	\$0
Income Taxes	456,451	460,166	460,166	0
Tuition and Fees	294,691	308,332	308,332	0
Interest	353	369	369	0
Intergovernmental	3,976,678	4,160,754	4,160,754	0
Miscellaneous	148,760	155,646	182,163	26,517
<i>Total Revenues</i>	<u>5,883,395</u>	<u>6,099,919</u>	<u>6,126,436</u>	<u>26,517</u>
Expenditures				
Current:				
Instruction:				
Regular	2,275,208	2,447,585	2,432,043	15,542
Special	1,569,645	1,664,305	1,651,093	13,212
Vocational	4,532	4,774	4,728	46
Support Services:				
Pupils	166,919	179,401	177,537	1,864
Instructional Staff	224,919	239,932	237,508	2,424
Board of Education	18,633	19,626	19,543	83
Administration	675,679	729,214	735,641	(6,427)
Fiscal	256,997	276,053	274,231	1,822
Operation and Maintenance of Plant	656,301	701,606	708,575	(6,969)
Pupil Transportation	181,780	193,835	195,072	(1,237)
Central	2,164	2,279	2,257	22
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	145,576	154,241	152,684	1,557
<i>Total Expenditures</i>	<u>6,178,353</u>	<u>6,612,851</u>	<u>6,590,912</u>	<u>21,939</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(294,958)</u>	<u>(512,932)</u>	<u>(464,476)</u>	<u>48,456</u>
Other Financing Sources (Uses)				
Transfers Out	0	(20,000)	(18,281)	1,719
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(20,000)</u>	<u>(18,281)</u>	<u>1,719</u>
<i>Net Change in Fund Balance</i>	<u>(294,958)</u>	<u>(532,932)</u>	<u>(482,757)</u>	<u>50,175</u>
<i>Fund Balance Beginning of Year</i>	708,827	708,827	708,827	0
Prior Year Encumbrances Appropriated	63,685	63,685	63,685	0
<i>Fund Balance End of Year</i>	<u>\$477,554</u>	<u>\$239,580</u>	<u>\$289,755</u>	<u>\$50,175</u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$22,635</u>	<u>\$11,687</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$11,687</u>
Net Position		
Held in Trust for Scholarships	<u>\$22,635</u>	

See accompanying notes to the basic financial statements

Sebring Local School District
Mahoning County, Ohio

Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$6,300
Deductions	
Scholarships Awarded	<u>16,100</u>
<i>Change in Net Position</i>	(9,800)
<i>Net Position Beginning of Year</i>	<u>32,435</u>
<i>Net Position End of Year</i>	<u><u>\$22,635</u></u>

See accompanying notes to the basic financial statements

Sebring Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 1 - Description of the School District and Reporting Entity

The Sebring Local School District (the "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 District operates under a locally-elected five member Board form of government. Each member is elected to staggered four year terms. The District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the District's two instructional support facilities staffed by 36 non-certificated and 45 certified teaching personnel and 5 administrators who provide services to students and other community members.

The District is located in Sebring Ohio, Mahoning County. The enrollment for the District during the 2013 fiscal year was approximately 638 students. The 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 District consists of all funds, departments, boards, and agencies that are not legally separate from the 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 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 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 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 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, 2013

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the District that are governmental and those that are considered business-type. The District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the 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 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 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 District.

Fund Financial Statements During the year, the District segregates transactions related to certain 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 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.

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

B. Fund Accounting

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

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

General Fund The general fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust fund. The money in the fund is used to grant college scholarships to certain eligible students of the District. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The 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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenditures) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the 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 inflows and outflows of 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 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, 2013

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and, income tax. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 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.

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

During fiscal year 2013, the 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 2013 amounted to \$398, which includes \$209 assigned from other 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 District are presented on the financial statements as cash equivalents.

G. 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.

H. Capital Assets

The 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 position but are not reported in the fund financial statements.

Sebring Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The 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 District maintains a capitalization threshold of one thousand five hundred dollars. The 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	10 - 20 years
Buildings and Improvements	10 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years
Library Books	10 years

I. 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 District will compensate the employees for the benefits through paid time off or some other means. The 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 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 District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

J. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

K. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

L. 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.

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.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

M. 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 position.

N. Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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.

O. 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 as a deferred outflow of resources on the statement of net position.

P. 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 receipted in the year the bonds are issued.

Q. 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.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 – Change in Accounting Principle and Restatement of Prior Year Net Position

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

GASB Statement No. 60 addresses issues related to service concession arrangements (SCA’s), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

B. Restatement of Prior Year Government Wide Net Position

	<u>Governmental Activities</u>
Net Position at June 30, 2012	\$9,925,296
Adjustment to Capital Assets	<u>88,204</u>
Adjusted Net Position at June 30, 2012	<u><u>\$10,013,500</u></u>

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The District restated capital assets in the amount of \$88,204 for the inclusion of assets previously not reported.

Note 4 – Accountability

Fund balances at June 30, 2013 included individual fund deficits in the General Fund and the Food Service special revenue fund in the amount of \$68,629 and \$21,981, 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.

Note 5 - Budgetary Basis of Accounting

While the 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	(\$355,723)
Net Adjustment for Revenue Accruals	(50,294)
Net Adjustment for Funds Budgeted as Special Revenue	9,940
Net Adjustment for Expenditure Accruals	104,550
Adjustment for Encumbrances	<u>(191,230)</u>
Budget Basis	<u><u>(\$482,757)</u></u>

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 - Deposits and Investments

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

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

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

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

Interim monies held by the 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 District, and must be

Sebring Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A - 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, \$949,544 of the District's bank balance of \$1,253,293 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 District deposits was \$1,222,751 at fiscal year end.

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

B - Investments

As of June 30, 2013, the District had no investments.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the 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 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 District places no limit on the amount it may invest in any one issuer. The District had no investments at June 30, 2013.

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

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 position as of June 30, 2013:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$1,222,751
Investments	0
Total	<u>\$1,222,751</u>
<u>Cash and Investments per Statement of Net Position</u>	
Governmental activities	\$1,188,429
Private-purpose trust funds	22,635
Agency funds	11,687
Total	<u>\$1,222,751</u>

Sebring Local School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenue received in calendar 2013 represent collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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 District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 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, 2013 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 inflows of resources – property taxes.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the District at June 30, 2013 and June 30, 2012.

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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$42,754,350	96.15 %	\$42,679,510	95.75 %
Public Utility Personal	1,712,910	3.85	1,895,070	4.25
Total	\$44,467,260	100.00 %	\$44,574,580	100.00 %
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, 2013

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:

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<i>Nonspendable</i>				
Inventory	\$0	\$0	\$792	\$792
<i>Restricted for</i>				
Education Foundation	0	0	186	186
Classroom Maintenance	0	0	1,376	1,376
Race to the Top	0	0	10,214	10,214
Special Education	0	0	23,662	23,662
Debt Service Payments	0	480,358	0	480,358
Capital Improvements	0	0	163,060	163,060
<i>Total Restricted</i>	<u>0</u>	<u>480,358</u>	<u>198,498</u>	<u>678,856</u>
<i>Committed to</i>				
After School Programs	0	0	42,104	42,104
<i>Assigned to</i>				
Other Purposes	14,445	0	0	14,445
Encumbrances	186,614	0	0	186,614
<i>Total Assigned</i>	<u>201,059</u>	<u>0</u>	<u>0</u>	<u>201,059</u>
<i>Unassigned (Deficit)</i>	<u>(269,688)</u>	<u>0</u>	<u>(22,773)</u>	<u>(292,461)</u>
<i>Total Fund Balances (Deficit)</i>	<u>(\$68,629)</u>	<u>\$480,358</u>	<u>\$218,621</u>	<u>\$630,350</u>

Note 9 - Receivables

Receivables at June 30, 2013 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 Position follows:

<u>Governmental Activities:</u>	
Property Taxes	\$1,580,259
Income Taxes	175,475
Intergovernmental	89,418
Accounts Receivable	12,141
Accrued Interest	126
Total	<u><u>\$1,857,419</u></u>

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, was as follows:

	(Restated) Balance 6/30/12	Additions	Reductions	Balance 6/30/13
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	16,310,777	1,900	0	16,312,677
Furniture, fixtures and equipment	950,158	4,300	0	954,458
Library Books	168,009	0	0	168,009
Vehicles	316,415	0	0	316,415
Total capital assets being depreciated	18,856,872	6,200	0	18,863,072
Accumulated depreciation				
Land Improvements	(766,172)	(42,804)	0	(808,976)
Buildings and improvements	(7,058,599)	(496,754)	0	(7,555,353)
Furniture, fixtures and equipment	(846,806)	(23,447)	0	(870,253)
Library Books	(168,009)	0	0	(168,009)
Vehicles	(173,929)	(23,683)	0	(197,612)
Total accumulated depreciation	(9,013,515)	(586,688) *	0	(9,600,203)
Capital assets being depreciated, net	9,843,357	(580,488)	0	9,262,869
Governmental activities capital assets, net	\$10,062,957	(\$580,488)	\$0	\$9,482,469

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$535,942
Support Services:	
Administration	8,062
Operation and Maintenance of Plant	13,158
Pupil Transportation	18,355
Operation of Food Services	9,110
Extracurricular	2,061
Total Depreciation Expense	<u>\$586,688</u>

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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. District income tax revenue received by the General Fund during fiscal year 2013 was \$464,971.

Note 12 - Interfund Activity

A – Interfund Transfers

During fiscal year 2013 the general fund transferred out \$18,281; \$15,000 to the food service special revenue fund to help cover operating costs and \$3,281 to the district managed student activity special revenue fund.

B - Interfund Receivable/Payable

At June 30, 2013 an interfund receivable/payable existed between the general fund and the Race to the Top Grant and Title I special revenue funds in the amount of \$4,751 and \$292, respectively. The purpose of these interfund balances was to cover negative cash balances in the funds at June 30th.

Note 13 - Risk Management

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the District contracted for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>
Building and Contents - Replacement Cost (\$5,000 deductible)	\$30,267,000
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.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

B. Employee Group Health, Disability and Life Insurance

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 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, 2013, 2012 and 2011 were \$112,899, \$106,733 and \$108,284, respectively; 43 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

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

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

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

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

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

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$351,010, \$376,002 and \$403,276, respectively; 87 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$22,552 made by the District and \$16,108 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2012 *Comprehensive Annual Financial Report* will be available sometime after December 31, 2012.

Additional information or copies of STRS Ohio's 2012 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 15 – Postemployment Benefits

A - School Employees Retirement System

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment 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) 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 2013 was \$104.90 for most participants, but could be as high \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is 0.74 percent. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,377, \$6,303 and \$6,968, respectively, which equaled the required contributions each year.

Health Care Plan – ORC 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' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 year ended June 30, 2013, the health care allocation is 0.16 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. 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, 2013, 2012, and 2011 were \$7,756, \$17,358 and \$31,449, respectively; 43 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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. That report can be obtained on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

B - State Teachers Retirement System

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issued as stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$27,001, \$28,923 and \$31,021, respectively; 87 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 275 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 65 days for classified employees.

Note 17 - Long-term Obligations

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts due in One Year
General Obligation Bonds:					
2010 Classroom Facilities					
Improvement Refunding Bonds:					
Current Interest Serial Bonds	\$600,000	\$0	(\$100,000)	\$500,000	\$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	26,855	16,605	0	43,460	0
Unamortized Premium on Refunding Bonds	92,323	0	(9,804)	82,519	0
<i>Total General Obligation Bonds</i>	994,177	16,605	(109,804)	900,978	100,000
Other Long-Term Obligations:					
Compensated Absences	398,574	13,512	(71,979)	340,107	7,337
<i>Total Long-Term Obligations</i>	<u>\$1,392,751</u>	<u>\$30,117</u>	<u>(\$181,783)</u>	<u>\$1,241,085</u>	<u>\$107,337</u>

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.

Sebring Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

The District's overall legal debt margin was \$3,648,916, with an unvoted debt margin of \$44,575 at June 30, 2013. Principal requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

Fiscal year Ending June 30,	2010 Advance Refunding Bonds (Term & Serial)		2010 Advance Refunding Bonds (Capital Appreciation Bonds)	
	Principal	Interest	Principal	Interest
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	0	17,450	22,562	77,438
2019-2022	425,000	36,455	0	0
<i>Total</i>	<u>\$725,000</u>	<u>\$137,830</u>	<u>\$49,999</u>	<u>\$150,001</u>

Note 18 - Set-Asides

The District is 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.

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-Aside Requirement	104,279
Current Year Offsets	<u>(106,434)</u>
Total	<u>(\$2,155)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Cash balance as of June 30, 2013	<u>\$0</u>

Although the 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, 2013

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 District paid \$13,035 to ACCESS during fiscal year 2013. 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 2013, no monies were received from the 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 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, 2013

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 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. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings as of June 30, 2013.

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Fiscal Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2013	10.555		\$ 19,134		\$ 19,134
Cash Assistance:						
School Breakfast Program	2013	10.553	\$ 35,781		\$ 35,781	
National School Lunch Program	2013	10.555	151,359		151,359	
Total U.S. Department of Agriculture			187,140	19,134	187,140	19,134
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	2012	84.010	18,395		28,496	
	2013		137,992		138,284	
Total Title I Grants to Local Educational Agencies			156,387		166,780	
Special Education Grants to States (IDEA Part B)	2012	84.027	27,513		31,958	
	2013		116,547		114,493	
Total Special Education Grants to States (IDEA, Part B)			144,060		146,451	
Improving Teacher Quality State Grants	2012	84.367	5,584		6,448	
	2013		37,414		37,414	
Total Improving Teacher Quality State Grants			42,998		43,862	
ARRA - Race to the Top	2012	84.395	6,054		4,115	
	2013		20,065		24,816	
Total ARRA - Race to the Top			26,119		28,931	
Total U.S. Department of Education			\$ 369,564	\$ -	\$ 386,024	\$ -
Total			\$ 556,704	\$ 19,134	\$ 573,164	\$ 19,134

The accompanying notes 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, 2013**

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 fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 44672-1400

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sebring Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standard Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items Previously Reported as Assets and Liabilities*".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
Columbus, Ohio

February 25, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 44672-1400

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Sebring Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Sebring Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Sebring Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 25, 2014

**SEBRING LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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 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 significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster - CFDA #10.553 & 10.555
<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

Independent Accountants' Report on Applying Agreed-Upon Procedure

Sebring Local School District
Mahoning County
510 North 14th Street
Sebring, Ohio 44672-1400

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Sebring Local School District (District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the District amended its anti-harassment policy at its meeting on May 15, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 25, 2014

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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 1, 2014**