



Dave Yost • Auditor of State

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

South Range Local School District
Mahoning County
11300 Columbiana Canfield Road, Suite B
Canfield, Ohio 44406

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 South Range Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2014, 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 South Range Local School District, Mahoning County, Ohio, as of June 30, 2014, 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.

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 Awards 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, 2015, 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, 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The management's discussion and analysis of the South Range Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$1,233,242, which represents a 6.71% decrease from fiscal year 2013.
- General revenues accounted for \$11,439,569 in revenue, or 84.89% of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,035,961 in revenue, or 15.11% of total revenues of \$13,475,530.
- The District had \$14,708,772 in expenses related to governmental activities; \$2,035,961 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,439,569 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$11,182,707 in revenues and \$11,259,669 in expenditures. During fiscal year 2014, the fund deficit of the general fund increased \$76,962 from a fund deficit of \$311,406 to a fund deficit of \$388,368.
- The bond retirement fund had \$1,326,992 in revenues and \$1,317,637 in expenditures. During fiscal year 2014, the fund balance of the bond retirement fund increased \$9,355 from \$570,060 to \$579,415.

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 nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during fiscal year 2014?" 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 net position. 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 governmental activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets 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. The basic governmental fund financial statements can be found on pages 17-21 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals and/or other governments or organizations. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-50 of this report.

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 at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 8,950,144	\$ 8,972,811
Capital assets, net	<u>34,768,723</u>	<u>36,408,894</u>
Total assets	<u>43,718,867</u>	<u>45,381,705</u>
<u>Liabilities</u>		
Current liabilities	1,345,609	1,357,581
Long-term liabilities	<u>19,082,339</u>	<u>19,493,549</u>
Total liabilities	<u>20,427,948</u>	<u>20,851,130</u>
<u>Deferred Inflows of Resources</u>	<u>6,151,226</u>	<u>6,157,640</u>
<u>Net Position</u>		
Net investment in capital assets	16,899,561	18,063,782
Restricted	386,572	543,443
Unrestricted (deficit)	<u>(146,440)</u>	<u>(234,290)</u>
Total net position	<u>\$ 17,139,693</u>	<u>\$ 18,372,935</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$17,139,693.

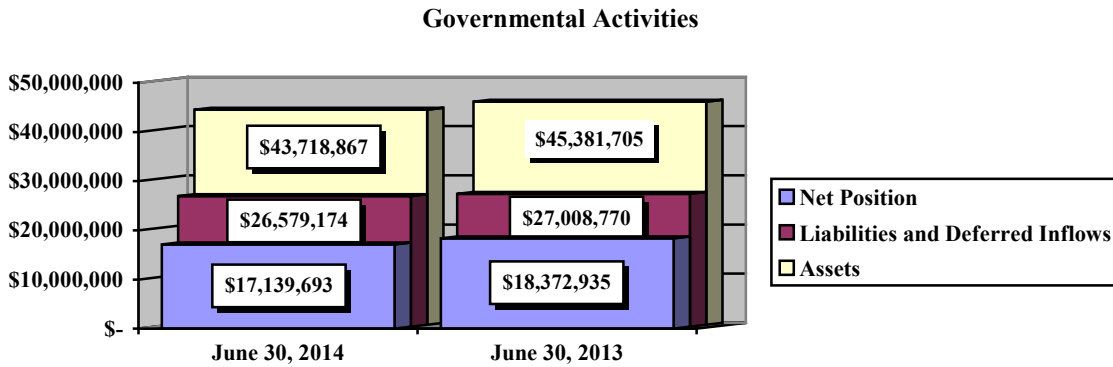
**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

At year end, capital assets represented 79.53% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2014 was \$16,899,561. 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, \$386,572, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$146,440.

The graph below illustrates the District's assets, liabilities, deferred inflows of resources, and net position at June 30, 2014 and June 30, 2013.



The table below shows the changes in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 990,643	\$ 432,749
Operating grants and contributions	1,045,318	882,744
General revenues:		
Property taxes	6,121,743	6,154,441
Grants and entitlements	5,241,007	5,323,510
Gain on sale of assets	-	70,924
Investment earnings	508	1,787
Miscellaneous	<u>76,311</u>	<u>4,811</u>
Total revenues	<u>\$ 13,475,530</u>	<u>\$ 12,870,966</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,567,734	\$ 6,409,673
Special	1,306,761	1,396,445
Vocational	141,685	163,592
Other	540,031	373,264
Support services:		
Pupil	356,792	311,389
Instructional staff	472,356	575,566
Board of education	30,012	27,926
Administration	816,332	877,382
Fiscal	421,491	405,193
Operations and maintenance	1,155,751	1,181,127
Pupil transportation	974,424	1,135,961
Central	86,502	109,186
Operation of non-instructional services:		
Other non-instructional services	1,701	2,624
Food service operations	348,457	376,231
Extracurricular activities	594,284	590,138
Interest and fiscal charges	894,459	890,091
Total expenses	<u>14,708,772</u>	<u>14,825,788</u>
Change in net position	(1,233,242)	(1,954,822)
Net position at beginning of year	<u>18,372,935</u>	<u>20,327,757</u>
Net position at end of year	<u>\$ 17,139,693</u>	<u>\$ 18,372,935</u>

Governmental Activities

Net position of the District's governmental activities decreased \$1,233,242. Total governmental expenses of \$14,708,772 were offset by program revenues of \$2,035,961 and general revenues of \$11,439,569. Program revenues supported 13.84% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.32% of total governmental revenues. The increase in charges for services and sales is primarily due to a significant amount of open enrollment tuition received by the District during fiscal year 2014. The increase in operating grants and contributions is mainly due to an increase in the amount of special education funding received from the State through foundation payments made during fiscal year 2014. The increase in miscellaneous revenue is attributable to an increase in contributions and donations made to the District's general fund during fiscal year 2014.

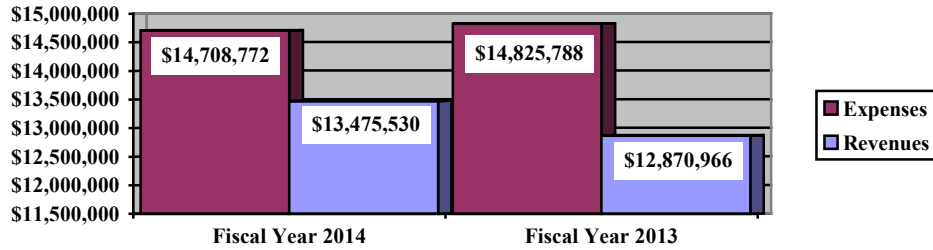
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,556,211 or 58.17% of total governmental expenses for fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2014 and 2013.

Governmental Activities - Revenues and Expenses



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 for fiscal years 2014 and 2013. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Program expenses				
Instruction:				
Regular	\$ 6,567,734	\$ 5,829,684	\$ 6,409,673	\$ 6,186,288
Special	1,306,761	714,679	1,396,445	991,437
Vocational	141,685	130,452	163,592	146,191
Other	540,031	540,031	373,264	373,264
Support services:				
Pupil	356,792	356,792	311,389	310,939
Instructional staff	472,356	466,956	575,566	560,162
Board of education	30,012	30,012	27,926	27,926
Administration	816,332	760,392	877,382	819,434
Fiscal	421,491	421,491	405,193	405,193
Operations and maintenance	1,155,751	1,152,475	1,181,127	1,181,127
Pupil transportation	974,424	931,393	1,135,961	1,102,150
Central	86,502	86,502	109,186	109,186
Operation of non-instructional services:				
Other non-instructional services	1,701	1,701	2,624	2,624
Food service operations	348,457	18,133	376,231	61,466
Extracurricular activities	594,284	337,659	590,138	342,817
Interest and fiscal charges	894,459	894,459	890,091	890,091
Total expenses	<u>\$ 14,708,772</u>	<u>\$ 12,672,811</u>	<u>\$ 14,825,788</u>	<u>\$ 13,510,295</u>

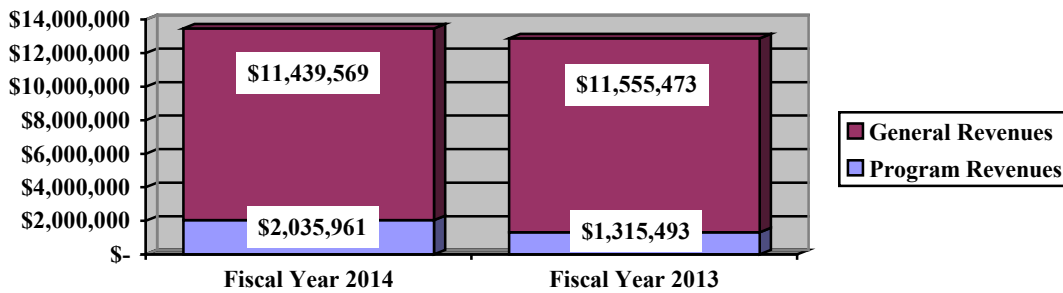
**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The dependence upon taxes and other general revenues for governmental activities is apparent, as 84.32% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.16%. The District's taxpayers and grants and entitlements not restricted to specific programs are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$556,353, which is lower than last year's total balance of \$618,296. The table below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance (Deficit) June 30, 2014	Fund Balance (Deficit) June 30, 2013	Increase/ (Decrease)	Percentage Change
General	\$ (388,368)	\$ (311,406)	\$ (76,962)	(24.71) %
Bond retirement	579,415	570,060	9,355	1.64 %
Nonmajor governmental	365,306	359,642	5,664	1.57 %
Total	<u>\$ 556,353</u>	<u>\$ 618,296</u>	<u>\$ (61,943)</u>	<u>(10.02) %</u>

General Fund

The District's general fund deficit increased \$76,962 during fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2014 and 2013.

	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,910,802	\$ 4,793,456	\$ 117,346	2.45 %
Tuition	511,380	2,391	508,989	21,287.70 %
Earnings on investments	485	1,601	(1,116)	(69.71) %
Intergovernmental	5,547,853	5,458,996	88,857	1.63 %
Other revenues	<u>212,187</u>	<u>116,445</u>	<u>95,742</u>	82.22 %
Total	<u>\$ 11,182,707</u>	<u>\$ 10,372,889</u>	<u>\$ 809,818</u>	7.81 %
<u>Expenditures</u>				
Instruction	\$ 6,724,902	\$ 6,851,919	\$ (127,017)	(1.85) %
Support services	4,146,630	4,325,296	(178,666)	(4.13) %
Non-instructional services	1,701	2,624	(923)	(35.18) %
Extracurricular activities	370,058	342,101	27,957	8.17 %
Facilities acquisition and construction	16,378	10,915	5,463	50.05 %
Debt service	<u>-</u>	<u>6,787</u>	<u>(6,787)</u>	(100.00) %
Total	<u>\$ 11,259,669</u>	<u>\$ 11,539,642</u>	<u>\$ (279,973)</u>	(2.43) %

Overall revenues of the general fund increased \$809,818 or 7.81%. Tuition increased \$508,989 primarily due to a significant amount of open enrollment receipts reported by the District during fiscal year 2014. Earnings on investments decreased \$1,116 or 69.71% due to declining interest rates. Other revenues increased \$95,742 or 82.22% mainly due to an increase in contributions and donations made to the District. All other revenue classifications remained comparable to the prior fiscal year.

Overall expenditures of the general fund decreased \$279,973 or 2.43%. Instruction and support services expenditures decreased during fiscal year 2014 primarily due to the District's continued effort to alleviate personnel costs. All other expenditure classifications remained comparable to the prior fiscal year.

Bond Retirement Fund

The bond retirement fund had \$1,326,992 in revenues and \$1,317,637 in expenditures. During fiscal year 2014, the fund balance of the bond retirement fund increased \$9,355 from \$570,060 to \$579,415.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

For the general fund, original budgeted revenues and other financing sources of \$10,732,823 were \$352,389 less than final budgeted amounts of \$11,085,212. Actual revenues and other financing sources for fiscal year 2014 totaled \$11,081,365 and were \$3,847 less than the final budgeted amounts.

General fund original appropriations of \$11,518,679 were decreased to \$11,285,910 in the final budgeted amounts. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$11,206,370 and were \$79,540 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$34,768,723 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 107,195	\$ 107,195
Land improvements	2,369,326	2,552,770
Buildings and improvements	30,791,030	32,069,652
Furniture and equipment	1,290,538	1,499,902
Vehicles	210,634	179,375
Total	\$ 34,768,723	\$ 36,408,894

The overall decrease in capital assets of \$1,640,171 is due to depreciation expense of \$1,301,951 and net capital asset disposals of \$442,767 exceeding capital outlays of \$104,547.

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

Debt Administration

At June 30, 2014, the District had \$18,225,582 in general obligation bonds outstanding. The following table summarizes the District's long-term obligations at June 30, 2014 and June 30, 2013.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2014	2013
Current interest bonds	\$ 17,255,000	\$ 17,800,000
Capital appreciation bonds	309,996	309,996
Accreted interest	660,586	506,160
Total	\$ 18,225,582	\$ 18,616,156

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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

Current Financial Related Activities

Management believes that the District will remain financially solvent through fiscal year 2016. Without passage of additional operating millage in calendar year 2014, the District could report deficits in fiscal year 2017. All emergency levies for the District have been renewed for ten years. The next renewal will occur in calendar year 2019.

All Ohio public school districts are experiencing financial challenges due to the economy and the State of Ohio's revenue shortfalls caused by tax reductions, which ultimately affects funding. The District receives about 42% of its general fund cash revenue via State foundation program payments.

Drastic cuts and phase-outs of business taxes as well as personal income tax cuts have greatly affected the income stream to the State of Ohio, and of all governmental agencies. It is said in physics that for every action, there is an equal and opposite reaction. Many tax related actions have occurred – the equal and opposite reactions continue to be identified and weighed. They include operating expense cuts, the request of an additional levy to raise revenue, and the exploration of expanding open enrollment.

Administrators and teachers have written and secured over \$500,000 in governmental and private grants during the 2013/2014 school year. These grants are an important part of maintaining reasonable local funding requests from the community. New money issues have been passed every eight years since 1988 (1996, 2004). The rule of thumb for Ohio public school districts in terms of new money levy requests is about every three to five years. The District is asking for voter support for a 3.9 mill levy that will be placed on the November 4, 2014 ballot to increase the likelihood of maintaining current programming with no further cuts.

The Auditor of the State of Ohio audits the District's finances once a year. Two to three auditors from the State Auditor's office conduct a thorough audit, usually taking two to three months. Internal controls are audited, as well as a sample of actual transactions to provide reasonable assurance that the finances of the District are conducted with accuracy and integrity. The District's biggest concern at this point is the economy and the conditions it is creating for constituents and businesses alike.

Today's economic environment is showing signs of improvement. However, the positive change is slow and somewhat delicate due to the uncertainty of the worldwide political environment.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James R. Phillips, Treasurer, South Range Local School District, 11300 Columbiana Canfield Rd., Suite B, Canfield, Ohio 44406.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,851,498
Receivables:	
Property taxes	6,950,700
Accounts.	2,860
Intergovernmental	113,924
Loans receivable.	1,913
Prepayments	618
Materials and supplies inventory.	28,631
Capital assets:	
Nondepreciable capital assets	107,195
Depreciable capital assets, net.	34,661,528
Capital assets, net	34,768,723
Total assets.	43,718,867
 Liabilities:	
Accounts payable.	13,647
Contracts payable.	79,539
Accrued wages and benefits payable	972,090
Pension obligation payable.	184,795
Intergovernmental payable	36,691
Accrued interest payable	58,847
Long-term liabilities:	
Due within one year.	720,144
Due in more than one year.	18,362,195
Total liabilities	20,427,948
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	6,151,226
Total deferred inflows of resources	6,151,226
 Net position:	
Net investment in capital assets	16,899,561
Restricted for:	
Capital projects	101,605
Debt service.	4,576
Classroom facilities maintenance	207,625
Locally funded programs	2
State funded programs.	2,474
Federally funded programs	14,320
Student activities	34,204
Other purposes	21,766
Unrestricted (deficit)	(146,440)
Total net position.	\$ 17,139,693

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 6,567,734	\$ 541,570	\$ 196,480	\$ (5,829,684)
Special	1,306,761	-	592,082	(714,679)
Vocational	141,685	-	11,233	(130,452)
Other	540,031	-	-	(540,031)
Support services:				
Pupil	356,792	-	-	(356,792)
Instructional staff	472,356	-	5,400	(466,956)
Board of education	30,012	-	-	(30,012)
Administration	816,332	-	55,940	(760,392)
Fiscal	421,491	-	-	(421,491)
Operations and maintenance	1,155,751	3,276	-	(1,152,475)
Pupil transportation	974,424	-	43,031	(931,393)
Central	86,502	-	-	(86,502)
Operation of non-instructional services:				
Other non-instructional services	1,701	-	-	(1,701)
Food service operations	348,457	214,720	115,604	(18,133)
Extracurricular activities	594,284	231,077	25,548	(337,659)
Interest and fiscal charges	894,459	-	-	(894,459)
Total governmental activities	\$ 14,708,772	\$ 990,643	\$ 1,045,318	(12,672,811)
General revenues:				
Property taxes levied for:				
General purposes				4,887,715
Special revenue				76,703
Debt service				1,157,325
Grants and entitlements not restricted				
to specific programs				5,241,007
Investment earnings				508
Miscellaneous				76,311
Total general revenues				11,439,569
Change in net position				(1,233,242)
Net position at beginning of year				18,372,935
Net position at end of year				\$ 17,139,693

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 923,855	\$ 579,415	\$ 348,228	\$ 1,851,498
Receivables:				
Property taxes	5,560,062	1,307,961	82,677	6,950,700
Accounts	2,860	-	-	2,860
Interfund loans	932	-	-	932
Intergovernmental	97,822	-	16,102	113,924
Loans receivable	1,913	-	-	1,913
Prepayments	618	-	-	618
Materials and supplies inventory	6,279	-	22,352	28,631
Total assets	<u>\$ 6,594,341</u>	<u>\$ 1,887,376</u>	<u>\$ 469,359</u>	<u>\$ 8,951,076</u>
Liabilities:				
Accounts payable	\$ 13,520	\$ -	\$ 127	\$ 13,647
Contracts payable	79,539	-	-	79,539
Accrued wages and benefits payable	969,633	-	2,457	972,090
Compensated absences payable	64,597	-	-	64,597
Interfund loans payable	-	-	932	932
Intergovernmental payable	35,277	-	1,414	36,691
Pension obligation payable	184,451	-	344	184,795
Total liabilities	<u>1,347,017</u>	<u>-</u>	<u>5,274</u>	<u>1,352,291</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	4,914,802	1,163,367	73,057	6,151,226
Delinquent property tax revenue not available	645,260	144,594	9,620	799,474
Intergovernmental revenue not available	75,630	-	16,102	91,732
Total deferred inflows of resources	<u>5,635,692</u>	<u>1,307,961</u>	<u>98,779</u>	<u>7,042,432</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	6,279	-	22,352	28,631
Prepays	618	-	-	618
Restricted:				
Debt service	-	579,415	-	579,415
Capital improvements	-	-	101,605	101,605
Classroom facilities maintenance	-	-	198,005	198,005
Food service operations	-	-	5,220	5,220
Special education	-	-	2,841	2,841
Extracurricular	-	-	34,204	34,204
Other purposes	-	-	2,488	2,488
Unassigned (deficit)	(395,265)	-	(1,409)	(396,674)
Total fund balances (deficit)	<u>(388,368)</u>	<u>579,415</u>	<u>365,306</u>	<u>556,353</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 6,594,341</u>	<u>\$ 1,887,376</u>	<u>\$ 469,359</u>	<u>\$ 8,951,076</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	556,353
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			34,768,723
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Property taxes receivable	\$	799,474	
Intergovernmental receivable		<u>91,732</u>	
Total			891,206
Unamortized premiums on bond issuances are not recognized in the funds.			(224,627)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(58,847)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(567,533)	
General obligation bonds payable		<u>(18,225,582)</u>	
Total			<u>(18,793,115)</u>
Net position of governmental activities		\$	<u>17,139,693</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,910,802	\$ 1,163,367	\$ 77,058	\$ 6,151,227
Tuition	511,380	-	-	511,380
Earnings on investments	485	-	23	508
Charges for services	-	-	214,720	214,720
Extracurricular	102,410	-	128,667	231,077
Classroom materials and fees	30,190	-	-	30,190
Rental income	3,276	-	-	3,276
Contributions and donations	72,274	-	25,548	97,822
Other local revenues	4,037	-	2,980	7,017
Intergovernmental - state	5,547,853	163,625	17,850	5,729,328
Intergovernmental - federal	-	-	530,589	530,589
Total revenues	<u>11,182,707</u>	<u>1,326,992</u>	<u>997,435</u>	<u>13,507,134</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,875,804	-	201,187	5,076,991
Special	1,143,323	-	160,407	1,303,730
Vocational	165,744	-	-	165,744
Other	540,031	-	-	540,031
Support services:				
Pupil	357,308	-	-	357,308
Instructional staff	449,254	-	5,400	454,654
Board of education	30,012	-	-	30,012
Administration	774,430	-	57,925	832,355
Fiscal	397,275	21,263	1,409	419,947
Operations and maintenance	1,099,760	-	55,803	1,155,563
Pupil transportation	969,409	-	-	969,409
Central	69,182	-	-	69,182
Operation of non-instructional services:				
Other non-instructional services	1,701	-	-	1,701
Food service operations	-	-	321,811	321,811
Extracurricular activities	370,058	-	150,929	520,987
Facilities acquisition and construction	16,378	-	36,900	53,278
Debt service:				
Principal retirement	-	545,000	-	545,000
Interest and fiscal charges	-	751,374	-	751,374
Total expenditures	<u>11,259,669</u>	<u>1,317,637</u>	<u>991,771</u>	<u>13,569,077</u>
Net change in fund balances	(76,962)	9,355	5,664	(61,943)
Fund balances (deficit) at beginning of year	<u>(311,406)</u>	<u>570,060</u>	<u>359,642</u>	<u>618,296</u>
Fund balances (deficit) at end of year	<u>\$ (388,368)</u>	<u>\$ 579,415</u>	<u>\$ 365,306</u>	<u>\$ 556,353</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$	(61,943)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 104,547	
Current year depreciation	<u>(1,301,951)</u>	
Total		(1,197,404)
<p>Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.</p>		
		(442,767)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	(29,484)	
Intergovernmental revenue	<u>21,697</u>	
Total		(7,787)
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:</p>		
Decrease in accrued interest payable	852	
Accretion of interest on "capital appreciation" bonds	(154,426)	
Amortization of bond premiums	<u>10,489</u>	
Total		(143,085)
<p>Repayment of general obligation bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.</p>		
		545,000
<p>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.</p>		
		<u>74,744</u>
Change in net position of governmental activities	\$	<u><u>(1,233,242)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,756,343	\$ 4,910,802	\$ 4,910,802	\$ -
Tuition	495,296	511,380	511,380	-
Earnings on investments	470	485	485	-
Classroom materials and fees	29,240	30,190	30,190	-
Rental income	3,173	3,276	3,276	-
Contributions and donations	70,001	72,274	72,274	-
Other local revenues	234	4,089	242	(3,847)
Intergovernmental - state	5,351,862	5,525,661	5,525,661	-
Total revenues	<u>10,706,619</u>	<u>11,058,157</u>	<u>11,054,310</u>	<u>(3,847)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,017,753	4,916,189	4,888,475	27,714
Special	1,257,654	1,233,068	1,183,338	49,730
Vocational	165,805	162,614	153,570	9,044
Other	373,264	362,044	540,031	(177,987)
Support services:				
Pupil	307,218	299,784	357,823	(58,039)
Instructional staff	550,244	540,777	455,658	85,119
Board of education	26,417	25,754	31,929	(6,175)
Administration	854,548	838,783	758,782	80,001
Fiscal	387,690	379,418	398,162	(18,744)
Operations and maintenance	1,127,222	1,104,101	1,112,849	(8,748)
Pupil transportation	1,090,718	1,070,490	973,612	96,878
Central	84,780	83,342	69,191	14,151
Operation of non-instructional services	2,564	2,527	1,762	765
Extracurricular activities	260,907	255,464	261,965	(6,501)
Facilities acquisition and construction	11,895	11,555	16,378	(4,823)
Total expenditures	<u>11,518,679</u>	<u>11,285,910</u>	<u>11,203,525</u>	<u>82,385</u>
Excess of expenditures over revenues	<u>(812,060)</u>	<u>(227,753)</u>	<u>(149,215)</u>	<u>78,538</u>
Other financing sources (uses):				
Refund of prior year's expenditures	22,482	23,212	23,212	-
Sale of assets	3,676	3,795	3,795	-
Advances in	46	48	48	-
Advances (out)	-	-	(2,845)	(2,845)
Total other financing sources (uses)	<u>26,204</u>	<u>27,055</u>	<u>24,210</u>	<u>(2,845)</u>
Net change in fund balance	(785,856)	(200,698)	(125,005)	75,693
Fund balance at beginning of year	842,670	842,670	842,670	-
Prior year encumbrances appropriated	56,356	56,356	56,356	-
Fund balance at end of year	<u>\$ 113,170</u>	<u>\$ 698,328</u>	<u>\$ 774,021</u>	<u>\$ 75,693</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 62,945
Total assets.	<u>\$ 62,945</u>
Liabilities:	
Accounts payable	\$ 1,230
Intergovernmental payable	16
Loans payable	1,913
Due to students	<u>59,786</u>
Total liabilities	<u>\$ 62,945</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates one school building that was completed in fiscal year 2011 and accommodates grades K-12. The District is staffed by 92 certified and 77 classified personnel to provide services to approximately 1,270 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments is a computer network which provides data services to twenty-six school districts and two educational service centers. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member school districts supports ACCESS based upon a per-pupil charge. ACCESS is governed by an Assembly consisting of the Superintendents or other designees of the member school districts. The Assembly exercises total control over the operation of ACCESS, including budgeting, appropriating, contracting, and designating management. All revenues of ACCESS are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer, 100 DeBartolo Place, Suite 222, Youngstown, Ohio, 44512.

Mahoning County Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is a debt service fund provided for the retirement of serial bonds and short-term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: private-purpose trust funds, agency funds, pension trust funds and investment trust 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 has no trust funds. 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 Ohio High School Athletic Association (OHSAA) events and student activities.

C. Basis of Presentation and Measurement Focus

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and deferred outflows of resources, and in the presentation of expenses versus expenditures.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2014.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to July 1, 2014; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2014, investments were limited to repurchase agreements and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The District has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statute, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$485, which includes \$234 assigned from other funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable” and “loans receivable/payable”. The “interfund loans receivable/payable” balance is eliminated in the governmental activities column on the statement of net position. The “loans receivable/payable” balance is reported in both the government-wide and fund financial statements for amounts due to/from agency funds.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation leave and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the funds from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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 (the highest level of decision making authority). 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 nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported as assets on the statement of net position/balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

O. Estimates

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

P. Unamortized Bond Premium and Discount

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds’ face value and the amount reported on the statement of net position is presented in Note 9.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenses/expenditures 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 expenses/expenditures to the funds that initially paid for them are not presented on the basic financial statements. The District did not report any interfund transfers during fiscal year 2014.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
General	\$ 388,368
<u>Nonmajor governmental funds</u>	
Title I	1,318
Improving teacher quality	91

The general fund is liable for any deficits in the non-general funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are a result of adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the 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 may be deposited or invested in the following securities:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$1,080 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$474,657. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$300,838 of the District's bank balance of \$550,838 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

At June 30, 2014, the District had the following investments and maturities:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreements	\$ 1,212,760	\$ 1,212,760
STAR Ohio	<u>225,946</u>	<u>225,946</u>
Total	<u>\$ 1,438,706</u>	<u>\$ 1,438,706</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is one day.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in the federal agency securities that underlie the repurchase agreements were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Percent of Total</u>
Repurchase agreements	\$ 1,212,760	84.30
STAR Ohio	225,946	15.70
Total	<u>\$ 1,438,706</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position at June 30, 2014:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 474,657
Investments	1,438,706
Cash on hand	1,080
Total	<u>\$ 1,914,443</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 1,851,498
Agency funds	<u>62,945</u>
Total	<u>\$ 1,914,443</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	<u>\$ 932</u>

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

Interfund balances between governmental funds are eliminated in the government-wide financial statements; therefore, no internal balances at June 30, 2014 are reported on the statement of net position.

- B. Loans between governmental funds and agency funds are reported as loans receivable/payable on the basic financial statements. The District had the following loan outstanding at June 30, 2014:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Agency fund	<u>\$ 1,913</u>

This loan is expected to be repaid within one year, as resources become available in the agency fund.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2014, are available to finance fiscal year 2014 operations. The District did not report any amounts available as an advance at either June 30, 2014 or June 30, 2013. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 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.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second		2014 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 171,883,170	95.56	\$ 172,695,840	95.19
Public utility personal	<u>7,983,360</u>	<u>4.44</u>	<u>8,731,810</u>	<u>4.81</u>
Total	<u>\$ 179,866,530</u>	<u>100.00</u>	<u>\$ 181,427,650</u>	<u>100.00</u>

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

General operations	\$ 49.00	\$ 49.00
Bonded debt	7.40	7.40
Classroom facilities maintenance	0.50	0.50

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Property taxes	\$ 6,950,700
Accounts	2,860
Intergovernmental	<u>113,924</u>
 Total	 <u>\$ 7,067,484</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 107,195	\$ -	\$ -	\$ 107,195
Total capital assets, not being depreciated	<u>107,195</u>	<u>-</u>	<u>-</u>	<u>107,195</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,270,050	-	-	3,270,050
Buildings and improvements	35,255,197	-	(578,702)	34,676,495
Furniture and equipment	3,319,915	11,547	(20,000)	3,311,462
Vehicles	1,179,900	93,000	(88,173)	1,184,727
Total capital assets, being depreciated	<u>43,025,062</u>	<u>104,547</u>	<u>(686,875)</u>	<u>42,442,734</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(717,280)	(183,444)	-	(900,724)
Buildings and improvements	(3,185,545)	(843,425)	143,505	(3,885,465)
Furniture and equipment	(1,820,013)	(220,911)	20,000	(2,020,924)
Vehicles	(1,000,525)	(54,171)	80,603	(974,093)
Total accumulated depreciation	<u>(6,723,363)</u>	<u>(1,301,951)</u>	<u>244,108</u>	<u>(7,781,206)</u>
Governmental activities capital assets, net	<u>\$ 36,408,894</u>	<u>\$ (1,197,404)</u>	<u>\$ (442,767)</u>	<u>\$ 34,768,723</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

<u>Instruction:</u>	
Regular	\$ 1,120,367
<u>Support services:</u>	
Instructional staff	21,072
Administration	1,565
Operations and maintenance	6,057
Pupil transportation	54,171
Central	17,448
Extracurricular activities	54,638
Food service operations	<u>26,633</u>
Total depreciation expense	<u>\$ 1,301,951</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. School Improvement Bonds - Series 2007

On September 27, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$14,490,000, and capital appreciation bonds, par value \$209,990. The interest rates on the current interest bonds range from 4.00% to 4.25%. The capital appreciation bonds mature on December 1, 2014 (stated interest 18.78%) and December 1, 2015 (stated interest 18.78%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$830,000. Total accreted interest of \$486,405 has been included on the statement of net position at June 30, 2014.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net position. Payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2035.

The following is a schedule of activity for the series 2007 general obligation bonds:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>General obligation bonds - series 2007</u>				
Current interest bonds	\$ 12,900,000	\$ -	\$ (395,000)	\$ 12,505,000
Capital appreciation bonds	209,990	-	-	209,990
Accreted interest	<u>371,960</u>	<u>114,445</u>	<u>-</u>	<u>486,405</u>
Total	<u>\$ 13,481,950</u>	<u>\$ 114,445</u>	<u>\$ (395,000)</u>	<u>\$ 13,201,395</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2007 general obligation bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ -	\$ 542,038	\$ 542,038	\$ 114,395	\$ 300,605	\$ 415,000
2016	-	542,038	542,038	95,595	319,405	415,000
2017	410,000	533,837	943,837	-	-	-
2018	430,000	517,038	947,038	-	-	-
2019	445,000	499,537	944,537	-	-	-
2020 - 2024	2,510,000	2,208,531	4,718,531	-	-	-
2025 - 2029	3,085,000	1,618,056	4,703,056	-	-	-
2030 - 2034	3,835,000	849,262	4,684,262	-	-	-
2035 - 2036	1,790,000	81,450	1,871,450	-	-	-
Total	<u>\$ 12,505,000</u>	<u>\$ 7,391,787</u>	<u>\$ 19,896,787</u>	<u>\$ 209,990</u>	<u>\$ 620,010</u>	<u>\$ 830,000</u>

B. School Improvement Bonds - Series 2008

On January 8, 2008, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$5,600,000, and capital appreciation bonds, par value \$100,006. The interest rates on the current interest bonds range from 3.75% to 4.38%. The capital appreciation bonds mature on December 1, 2014 (stated interest 16.40%) and December 1, 2015 (stated interest 16.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$320,000. Total accreted interest of \$174,181 has been included on the statement of net position at June 30, 2014.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net position. Payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2035.

The following is a schedule of activity for the series 2008 general obligation bonds:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<u>General obligation bonds - series 2008</u>				
Current interest bonds	\$ 4,900,000	\$ -	\$ (150,000)	\$ 4,750,000
Capital appreciation bonds	100,006	-	-	100,006
Accreted interest	134,200	39,981	-	174,181
Total	<u>\$ 5,134,206</u>	<u>\$ 39,981</u>	<u>\$ (150,000)</u>	<u>\$ 5,024,187</u>

**SOUTH RANGE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2008 general obligation bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ -	\$ 198,624	\$ 198,624	\$ 53,936	\$ 106,064	\$ 160,000
2016	-	198,624	198,624	46,070	113,930	160,000
2017	160,000	195,623	355,623	-	-	-
2018	165,000	189,324	354,324	-	-	-
2019	170,000	182,623	352,623	-	-	-
2020 - 2024	965,000	802,618	1,767,618	-	-	-
2025 - 2029	1,175,000	584,720	1,759,720	-	-	-
2030 - 2034	1,445,000	305,550	1,750,550	-	-	-
2035 - 2036	670,000	29,025	699,025	-	-	-
Total	\$ 4,750,000	\$ 2,686,731	\$ 7,436,731	\$ 100,006	\$ 219,994	\$ 320,000

C. For the fiscal year ended June 30, 2014, the following changes occurred in the governmental activities long-term obligations:

Governmental activities:	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Amount Due in One Year
General obligation bonds - series 2007	\$ 13,481,950	\$ 114,445	\$ (395,000)	\$ 13,201,395	\$ 379,370
General obligation bonds - series 2008	5,134,206	39,981	(150,000)	5,024,187	147,875
Compensated absences	642,277	128,302	(138,449)	632,130	192,899
Total	\$ 19,258,433	\$ 282,728	\$ (683,449)	18,857,712	\$ 720,144
Add: unamortized premiums				224,627	
Total amount reported on the statement of net position				\$ 19,082,339	

Compensated absences will be paid out of the fund from which the employee is paid, which for the District is primarily the general fund.

D. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2014 are a legal voted debt margin of \$(657,093) (including available funds of \$579,415) and a legal unvoted debt margin of \$181,428.

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that school district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation.

In May 2007, the State Superintendent determined the District to be a "special needs" district.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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

The comprehensive commercial insurance coverage limit is \$46,232,476 and a \$7,000,000 annual aggregate. The business auto coverage limit is \$1,000,000 for liability. The District has a liability insurance coverage limit of \$5,000,000 per claim and a \$7,000,000 annual aggregate.

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

B. Mahoning County School Employees Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium (the "Consortium"), a public entity shared risk pool, currently operating as a common risk management and insurance program for 12 member school districts. The Consortium was organized in 1982 to provide health care and dental benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts and claims flow. The Consortium is responsible for paying health plan claims up to \$200,000 per individual per year. Any claims exceeding the \$300,000 limit are covered by the Consortium's stop-loss carrier. The Consortium has a fund that picks up the \$100,000 difference between the \$200,000 per incident and the \$300,000 stop-loss agreement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - RISK MANAGEMENT - (Continued)

The District pays the health insurance premiums for 90% of medical premiums and 90% of dental premiums. Employees pay a 10% premium share.

The health and dental coverage is administered by Medical Mutual of Ohio, a third party administrator.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 2.A). Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$191,005, \$198,579 and \$193,045, respectively; 79.51 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$698,287, \$719,084 and \$755,189, respectively; 85.53 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$7,068 made by the District and \$5,553 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. 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 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$29,804, \$26,156 and \$33,712, respectively; 79.51 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$11,081, \$11,217 and \$11,400, respectively; 79.51 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$53,714, \$55,314 and \$58,091, respectively; 85.53 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (125,005)
Net adjustment for revenue accruals	25,987
Net adjustment for expenditure accruals	(70,988)
Net adjustment for other sources/uses	(24,210)
Funds budgeted elsewhere	(8,635)
Adjustment for encumbrances	125,889
GAAP basis	\$ (76,962)

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	206,043
Current year offsets	(87,878)
Prior year offset from bond proceeds	<u>(118,165)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

During fiscal year 2008, the District issued \$20,399,996 in capital related school improvement bonds. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$19,363,884 at June 30, 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year End Encumbrances</u>
General fund	\$ 42,793
Nonmajor governmental funds	<u>3,018</u>
 Total	 <u>\$ 45,811</u>

NOTE 17 - OPERATING LEASE - LESSOR DISCLOSURE

The District is the lessor of oil and gas rights on certain land parcels owned by the District to Chesapeake Energy. The lease agreement is from November 15, 2011 through November 15, 2016. The District received \$690,686 in the general fund at the execution of the lease. As part of the lease agreement, the District will receive a 20 percent royalty on any oil or gas that is produced.

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

On January 15, 2015, the Board of Education adopted a resolution of necessity for a three-year emergency levy providing for the emergency requirements of the District. The amount of money to be raised for that purpose is \$931,838 for each year that the additional millage from the emergency levy is in effect. The question of the Emergency Levy shall be submitted to the electors of the School District at the election to be held on May 5, 2015.