



Mary Taylor, CPA
Auditor of State

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	19
Statement of Fiduciary Net Assets - Fiduciary Funds.....	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Expenditures.....	49
Notes to the Schedule of Federal Awards Expenditures	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	53
Schedule of Findings.....	55

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Range Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Range Local School District, Mahoning County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

October 19, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$20,939,892, which represents a 334.76% increase from 2007.
- General revenues accounted for \$31,945,826 in revenue, or 95.22% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,604,016, or 4.78%, of total revenues of \$33,549,842.
- The District had \$12,609,950 in expenses related to governmental activities; \$1,604,016 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$31,945,826 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$11,242,666 in revenues and \$10,596,785 in expenditures and other financing uses. During fiscal year 2008, fund balance in the general fund increased \$645,881 from \$1,263,048 to \$1,908,929.
- The classroom facilities fund had \$20,423,623 in revenues and other financing sources and \$572,273 in expenditures. During fiscal year 2008, fund balance in the classroom facilities fund increased from a zero balance to a balance of \$19,851,350.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. 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 21-47 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 51,440,948	\$ 9,060,765
Capital assets	<u>5,032,518</u>	<u>4,677,187</u>
Total assets	<u>56,473,466</u>	<u>13,737,952</u>
<u>Liabilities</u>		
Current liabilities	8,034,602	6,951,035
Long-term liabilities	<u>21,243,828</u>	<u>531,773</u>
Total liabilities	<u>29,278,430</u>	<u>7,482,808</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,977,784	4,677,187
Restricted	664,605	845,306
Unrestricted	<u>21,552,647</u>	<u>732,651</u>
Total net assets	<u>\$ 27,195,036</u>	<u>\$ 6,255,144</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$27,195,036. Of this total, \$664,605 is restricted in use.

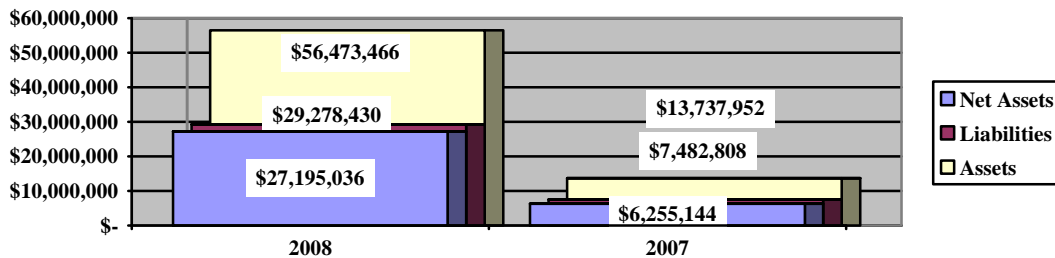
**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

At year-end, capital assets represented 8.91% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment and furniture, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2008 were \$4,977,784. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$664,605, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$21,552,647.

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 571,746	\$ 510,443
Operating grants and contributions	1,024,466	1,020,319
Capital grants and contributions	7,804	26,372
General revenues:		
Property taxes	5,631,686	5,555,858
Grants and entitlements	25,614,993	5,533,437
Investment earnings	669,306	144,485
Other	29,841	13,618
Total revenues	<u>\$ 33,549,842</u>	<u>\$ 12,804,532</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,353,315	\$ 5,260,502
Special	1,371,993	1,371,558
Vocational	145,375	160,989
Other	170,443	188,966
Support services:		
Pupil	256,327	263,641
Instructional staff	571,641	597,038
Board of education	50,737	44,398
Administration	930,385	864,510
Fiscal	334,026	342,356
Operations and maintenance	917,521	938,098
Pupil transportation	907,700	873,705
Central	100,195	74,700
Food service operations	383,274	362,512
Operations of non-instructional services	2,097	1,488
Extracurricular activities	501,277	475,396
Interest and fiscal charges	<u>613,644</u>	<u>11,125</u>
Total expenses	<u>12,609,950</u>	<u>11,830,982</u>
Change in net assets	20,939,892	973,550
Net assets at beginning of year	<u>6,255,144</u>	<u>5,281,594</u>
Net assets at end of year	<u><u>\$ 27,195,036</u></u>	<u><u>\$ 6,255,144</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$20,939,892. Total governmental expenses of \$12,609,950 were offset by program revenues of \$1,604,016 and general revenues of \$31,945,826. Program revenues supported 12.72% of the total governmental expenses.

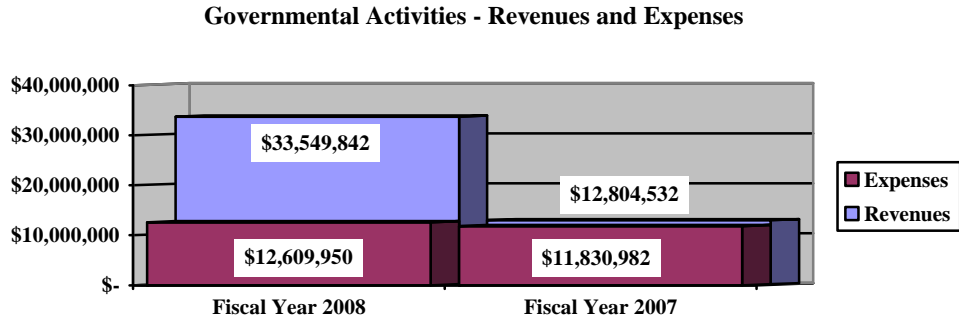
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 93.14% of total governmental revenue. Grants and entitlements increased due to the District's Ohio Schools Facilities Commission project.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,041,126, or 55.84%, of total governmental expenses for fiscal 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

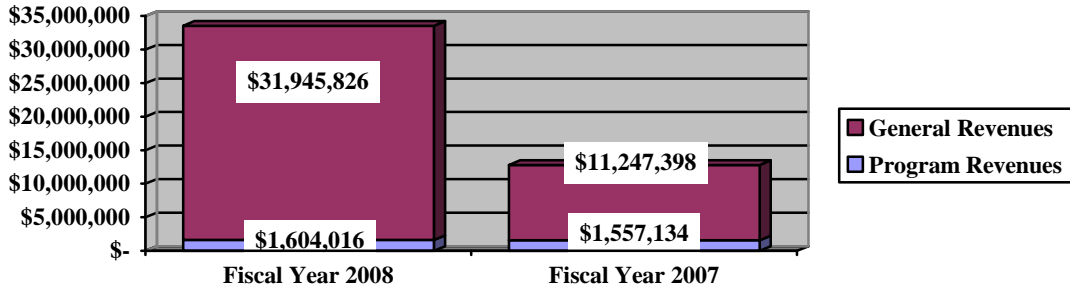
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 5,353,315	\$ 5,086,561	\$ 5,260,502	\$ 5,023,520
Special	1,371,993	795,902	1,371,558	779,428
Vocational	145,375	130,177	160,989	140,052
Other	170,443	170,443	188,966	188,966
Support services:				
Pupil	256,327	256,327	263,641	263,641
Instructional staff	571,641	546,310	597,038	546,574
Board of education	50,737	50,737	44,398	44,398
Administration	930,385	896,293	864,510	864,510
Fiscal	334,026	334,026	342,356	342,356
Operations and maintenance	917,521	886,961	938,098	935,747
Pupil transportation	907,700	882,446	873,705	836,631
Central	100,195	95,195	74,700	69,700
Food service operations	383,274	22,815	362,512	21,636
Operations of non-instructional services	2,097	2,097	1,488	1,488
Extracurricular activities	501,277	236,000	475,396	204,076
Interest and fiscal charges	613,644	613,644	11,125	11,125
Total expenses	<u>\$ 12,609,950</u>	<u>\$ 11,005,934</u>	<u>\$ 11,830,982</u>	<u>\$ 10,273,848</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 87.81% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.28%. The District's taxpayers, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$24,474,138, which is higher than last year's total of \$1,586,924. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 1,908,929	\$ 1,263,048	\$ 645,881	51.14 %
Classroom Facilities	19,851,350	-	19,851,350	100.00 %
Other Governmental	<u>2,713,859</u>	<u>323,876</u>	<u>2,389,983</u>	737.93 %
Total	<u>\$ 24,474,138</u>	<u>\$ 1,586,924</u>	<u>\$ 22,887,214</u>	1,442.24 %

General Fund

The District's general fund balance increased \$645,881. The increase in fund balance can be primarily attributed to the increase in intergovernmental receipts. Revenues exceed expenditures for fiscal year 2008 by \$657,754. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,926,676	\$ 4,982,285	\$ (55,609)	(1.12) %
Earnings on investments	186,655	144,485	42,170	29.19 %
Intergovernmental	6,014,825	5,906,916	107,909	1.83 %
Other revenues	<u>114,510</u>	<u>59,550</u>	<u>54,960</u>	92.29 %
Total	<u>\$ 11,242,666</u>	<u>\$ 11,093,236</u>	<u>\$ 149,430</u>	1.35 %
<u>Expenditures</u>				
Instruction	\$ 6,426,978	\$ 6,297,501	\$ 129,477	2.06 %
Support services	3,849,185	3,981,381	(132,196)	(3.32) %
Non-instructional services	2,051	1,441	610	42.33 %
Extracurricular activities	225,406	216,245	9,161	4.24 %
Facilities acquisition and construction	<u>81,292</u>	<u>138,730</u>	<u>(57,438)</u>	(41.40) %
Total	<u>\$ 10,584,912</u>	<u>\$ 10,635,298</u>	<u>\$ (50,386)</u>	(0.47) %

Classroom Facilities Fund

The classroom facilities fund had \$20,423,623 in revenues and other financing sources and \$572,273 in expenditures. During fiscal year 2008, fund balance in the classroom facilities fund increased from a zero balance to a balance of \$19,851,350.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$11,367,502 remained unchanged in the final budgeted revenues and other financing sources estimate. Actual revenues and other financing sources for fiscal 2008 was \$11,353,970. This represents a \$13,532 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,139,004 were decreased to \$10,695,071 in the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$10,695,071, which was the same amount as the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$5,032,518 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 60,001	\$ 60,001
Land improvements	128,730	148,523
Buildings and improvements	3,496,064	3,629,325
Equipment and furniture	274,998	326,054
Vehicles	445,718	513,284
Construction in progress	627,007	-
Total	\$ 5,032,518	\$ 4,677,187

The overall increase in capital assets of \$355,331 is due primarily to capital outlays of \$645,397 exceeding depreciation expense of \$290,066 in the fiscal year.

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

Debt Administration

At June 30, 2008, the District had \$20,399,996 general obligation bonds outstanding. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2008	2007
General obligation bonds	\$ 20,399,996	\$ -
Total	\$ 20,399,996	\$ -

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Current Financial Related Activities

Citizens of the District passed a new five year emergency levy during fiscal 2004, which raises \$793,000 annually. Management believes that the District will remain financially solvent until 2011. Without passage of additional operating millage in 2010 or 2011, the district could be in the red in FY11 or 2012. The citizens of the South Range Local School District renewed a 2.5 mill renewal levy in November, 2008 (five year emergency) which raises \$430,555 per year.

All Ohio public school districts are experiencing financial challenges due to the economy and the State of Ohio's failure to correct a school funding system which has been deemed unconstitutional by the Ohio Supreme Court. The District receives about 48 percent of its general fund money through the state foundation program. The State's failure to correct the funding issue is exacerbated by the general economic condition in Ohio. A newly elected Governor took office in January, 2007. He has stated that compliance with the supreme court rulings on education funding will be addressed in his administration. A plan has been proposed which claims to overhaul and make constitutional the school funding formula, however initial ODE analysis projects that the new plan would produce no increase for South Range in 2010 and actually create a 2% decrease in 2011.

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 to all governmental agencies. It is said in physics that for every action, there is an equal and opposite reaction. Many tax related actions have occurred – the equal and opposite reactions continue to be identified and weighed.

Administrators and teachers have written and secured over \$500,000 in governmental and private grants during the 2007/2008 school year. These grants are an important part of maintaining reasonable local funding requests from the community. New money issues have been passed every eight years since 1988 (1996, 2004). The rule of thumb for Ohio public school districts in terms of new money levy requests is about every three to five years.

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

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

Contacting the District's Financial Management

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

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 26,279,705
Receivables:	
Taxes	6,666,001
Accounts	2,453
Intergovernmental	18,190,530
Materials and supplies inventory	14,701
Unamortized bond issue costs.	287,558
Capital assets:	
Land	60,001
Construction in progress	627,007
Depreciable capital assets, net	4,345,510
Capital assets, net.	<u>5,032,518</u>
 Total assets	 <u>56,473,466</u>
Liabilities:	
Accounts payable	28,372
Contracts payable	572,273
Accrued wages and benefits.	917,247
Pension obligation payable	271,091
Intergovernmental payable	48,952
Unearned revenue.	6,129,441
Accrued interest payable	67,226
Long-term liabilities:	
Due within one year	380,251
Due within more than one year	20,863,577
 Total liabilities	 <u>29,278,430</u>
Net Assets:	
Invested in capital assets, net of related debt	4,977,784
Restricted for:	
Capital projects	8,209
Debt service	492,662
Classroom facilities maintenance	60,600
State funded programs.	9,330
Federal funded programs	12
Student activities	60,250
Other purposes.	33,542
Unrestricted.	<u>21,552,647</u>
 Total net assets	 <u><u>\$ 27,195,036</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction:						
Regular	\$ 5,353,315	\$ 59,616	\$ 207,138	\$ -		\$ (5,086,561)
Special	1,371,993	4,508	571,583	-		(795,902)
Vocational	145,375	-	15,198	-		(130,177)
Other.	170,443	-	-	-		(170,443)
Support services:						
Pupil.	256,327	-	-	-		(256,327)
Instructional staff	571,641	-	25,331	-		(546,310)
Board of education	50,737	-	-	-		(50,737)
Administration.	930,385	-	34,092	-		(896,293)
Fiscal.	334,026	-	-	-		(334,026)
Operations and maintenance.	917,521	22,756	-	7,804		(886,961)
Pupil transportation	907,700	-	25,254	-		(882,446)
Central.	100,195	-	5,000	-		(95,195)
Operation of non-instructional services:						
Food service operations.	383,274	239,265	121,194	-		(22,815)
Other non-instructional services	2,097	-	-	-		(2,097)
Extracurricular activities	501,277	245,601	19,676	-		(236,000)
Interest and fiscal charges	613,644	-	-	-		(613,644)
Total governmental activities	\$ 12,609,950	\$ 571,746	\$ 1,024,466	\$ 7,804		(11,005,934)
 General Revenues:						
Property taxes levied for:						
General purposes.						4,965,353
Special revenue.						58,178
Debt service						602,866
Capital projects.						5,289
Grants and entitlements not restricted						
to specific programs						25,614,993
Investment earnings						669,306
Miscellaneous						29,841
Total general revenues.						31,945,826
 Change in net assets						 20,939,892
 Net assets at beginning of year						 6,255,144
 Net assets at end of year						 \$ 27,195,036

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,971,166	\$ 20,423,623	\$ 2,851,374	\$ 26,246,163
Receivables:				
Taxes	5,322,423	-	1,343,578	6,666,001
Accounts	2,453	-	-	2,453
Intergovernmental	-	18,094,100	96,430	18,190,530
Interfund receivable	81,218	-	-	81,218
Materials and supplies inventory	6,113	-	8,588	14,701
Restricted assets:				
Equity in pooled cash and cash equivalents	33,542	-	-	33,542
Total assets	<u>\$ 8,416,915</u>	<u>\$ 38,517,723</u>	<u>\$ 4,299,970</u>	<u>\$ 51,234,608</u>
Liabilities:				
Accounts payable	\$ 14,444	\$ -	\$ 13,928	\$ 28,372
Contracts payable	-	572,273	-	572,273
Accrued wages and benefits	872,105	-	45,142	917,247
Pension obligation payable	254,174	-	16,917	271,091
Intergovernmental payable	44,840	-	4,112	48,952
Interfund payable	-	-	81,218	81,218
Deferred revenue	428,443	18,094,100	189,333	18,711,876
Unearned revenue	4,893,980	-	1,235,461	6,129,441
Total liabilities	<u>6,507,986</u>	<u>18,666,373</u>	<u>1,586,111</u>	<u>26,760,470</u>
Fund Balances:				
Reserved for encumbrances	46,312	1,470,880	36,073	1,553,265
Reserved for materials and supplies inventory	6,113	-	8,588	14,701
Reserved for debt service	-	-	459,980	459,980
Reserved for school bus purchases	33,542	-	-	33,542
Unreserved, undesignated, reported in:				
General fund	1,822,962	-	-	1,822,962
Special revenue funds	-	-	9,534	9,534
Capital projects funds	-	18,380,470	2,199,684	20,580,154
Total fund balances	<u>1,908,929</u>	<u>19,851,350</u>	<u>2,713,859</u>	<u>24,474,138</u>
Total liabilities and fund balances	<u>\$ 8,416,915</u>	<u>\$ 38,517,723</u>	<u>\$ 4,299,970</u>	<u>\$ 51,234,608</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 24,474,138
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,032,518
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 536,560	
Intergovernmental receivable	18,175,316	
Total		18,711,876
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	(522,612)	
General obligation bonds payable	(20,433,658)	
Accrued interest payable	(67,226)	
Total		(21,023,496)
Net assets of governmental activities		<u>\$ 27,195,036</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, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,926,676	\$ -	\$ 604,332	\$ 5,531,008
Tuition.	36,750	-	-	36,750
Earnings on investments.	186,655	203,090	279,971	669,716
Charges for services.	-	-	238,855	238,855
Extracurricular.	-	-	245,601	245,601
Classroom materials and fees	25,679	-	1,695	27,374
Other local revenues.	52,081	-	20,192	72,273
Intergovernmental - state.	6,014,825	1,829,509	114,866	7,959,200
Intergovernmental - federal	-	-	579,995	579,995
Total revenue	<u>11,242,666</u>	<u>2,032,599</u>	<u>2,085,507</u>	<u>15,360,772</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,971,128	-	199,939	5,171,067
Special.	1,137,783	-	230,713	1,368,496
Vocational.	150,547	-	-	150,547
Other.	167,520	-	-	167,520
Support services:				
Pupil.	266,535	-	-	266,535
Instructional staff	532,266	-	26,189	558,455
Board of education	49,987	-	-	49,987
Administration.	872,017	-	35,872	907,889
Fiscal	317,534	-	11,140	328,674
Operations and maintenance.	894,384	-	-	894,384
Pupil transportation	825,698	-	-	825,698
Central.	90,764	-	7,038	97,802
Operation of non-instructional services:				
Food service operations	-	-	373,184	373,184
Other non-instructional services.	2,051	-	-	2,051
Extracurricular activities.	225,406	-	263,754	489,160
Facilities acquisition and construction.	81,292	572,273	55,784	709,349
Debt service:				
Interest and fiscal charges	-	-	512,756	512,756
Bond issuance costs	-	-	294,331	294,331
Total expenditures	<u>10,584,912</u>	<u>572,273</u>	<u>2,010,700</u>	<u>13,167,885</u>
Excess of revenues over expenditures	<u>657,754</u>	<u>1,460,326</u>	<u>74,807</u>	<u>2,192,887</u>
Other financing sources (uses):				
Transfers in	-	18,391,024	11,873	18,402,897
Transfers (out).	(11,873)	-	(18,391,024)	(18,402,897)
Sale of bonds	-	-	20,399,996	20,399,996
Premium on sale of bonds.	-	-	294,331	294,331
Total other financing sources (uses)	<u>(11,873)</u>	<u>18,391,024</u>	<u>2,315,176</u>	<u>20,694,327</u>
Net change in fund balances	645,881	19,851,350	2,389,983	22,887,214
Fund balances at beginning of year.	<u>1,263,048</u>	<u>-</u>	<u>323,876</u>	<u>1,586,924</u>
Fund balances at end of year	<u>\$ 1,908,929</u>	<u>\$ 19,851,350</u>	<u>\$ 2,713,859</u>	<u>\$ 24,474,138</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, 2008

Net change in fund balances - total governmental funds \$ 22,887,214

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$	645,397	
Current year depreciation		(290,066)	
Total			355,331

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

Taxes		100,678	
Intergovernmental revenue		18,088,392	
Total			18,189,070

Premiums on bonds issued are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (294,331)

Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 294,331

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 on the statement of activities:

Accretion of interest on "capital appreciation" bonds		(33,662)	
Accrued interest on general obligation bonds		(67,226)	
Amortization of bond premiums		6,773	
Amortization of issuance costs		(6,773)	
Total			(100,888)

Sale of bonds are recorded as revenue in the funds, however in the statement of activities, they are not reported as revenues as they increase the liabilities in the statement of net assets. (20,399,996)

Some expenses reported on the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 9,161

Change in net assets of governmental activities \$ 20,939,892

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 4,966,814	\$ 4,966,814	\$ 4,960,901	\$ (5,913)
Tuition	36,794	36,794	36,750	(44)
Earnings on investments	186,877	186,877	186,655	(222)
Classroom materials and fees	25,847	25,847	25,816	(31)
Other local revenues	43,680	43,680	43,628	(52)
Intergovernmental - state.	6,021,994	6,021,994	6,014,825	(7,169)
Total revenue.	<u>11,282,006</u>	<u>11,282,006</u>	<u>11,268,575</u>	<u>(13,431)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,158,276	4,952,698	4,952,698	-
Special.	1,214,567	1,166,162	1,166,162	-
Vocational.	152,448	146,372	146,372	-
Other.	174,473	167,520	167,520	-
Support services:				
Pupil.	276,715	265,687	265,687	-
Instructional staff	555,174	533,048	533,048	-
Board of education	51,985	49,913	49,913	-
Administration.	910,138	873,865	873,865	-
Fiscal	330,308	317,144	317,144	-
Operations and maintenance.	936,368	899,050	899,050	-
Pupil transportation	861,100	826,782	826,782	-
Central.	94,445	90,681	90,681	-
Operation of non-instructional services	2,136	2,051	2,051	-
Extracurricular activities.	239,250	229,715	229,715	-
Facilities acquisition and construction.	84,666	81,292	81,292	-
Total expenditures	<u>11,042,049</u>	<u>10,601,980</u>	<u>10,601,980</u>	<u>-</u>
Excess of revenues over (under) expenditures.	<u>239,957</u>	<u>680,026</u>	<u>666,595</u>	<u>(13,431)</u>
Other financing sources (uses):				
Transfers (out)	(12,366)	(11,873)	(11,873)	-
Advances in.	79,071	79,071	78,977	(94)
Advances (out)	(84,589)	(81,218)	(81,218)	-
Sale of capital assets	3,660	3,660	3,656	(4)
Refund of prior year expenditure.	2,765	2,765	2,762	(3)
Total other financing uses	<u>(11,459)</u>	<u>(7,595)</u>	<u>(7,696)</u>	<u>(101)</u>
Net change in fund balance	228,498	672,431	658,899	(13,532)
Fund balance at beginning of year.	2,243,493	2,243,493	2,243,493	-
Prior year encumbrances appropriated	47,196	47,196	47,196	-
Fund balance at end of year	<u>\$ 2,519,187</u>	<u>\$ 2,963,120</u>	<u>\$ 2,949,588</u>	<u>\$ (13,532)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 64,803
Receivables:	
Accounts	460
Total assets	\$ 65,263
Liabilities:	
Accounts payable	\$ 3,360
Intergovernmental payable	4
Due to students	61,899
Total liabilities	\$ 65,263

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 404th largest in the State of Ohio (among the 896 public school districts and community schools in the State) in terms of enrollment. It currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District is staffed by 87 certified and 64 classified personnel to provide services to approximately 1,307 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Mahoning County Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Classroom facilities fund - A capital projects fund provided to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) grants and other resources whose use is restricted to a particular purpose; (b) food service operations and uniform school supplies operations; (c) the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs; and (d) financial resources to be used for the acquisition, construction, or improvement of capital facilities.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

D. Basis of Accounting

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

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 2008 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate 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 2008.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008; 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 2008, 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, 2008**

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

The District has invested funds in STAR Ohio during fiscal year 2008. 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, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$186,655, which includes \$26,553 assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, 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 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 a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

All reported capital assets except land and construction in progress 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 receivable” and “interfund payable”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and 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, 2008, 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 and sick leave payments has been calculated using pay rates in effect at June 30, 2008 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, claims and judgments, and 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 are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, and school bus purchases.

M. Net Assets

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

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

N. Prepayments

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

At June 30, 2008, the District did not have any prepayments.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for school bus purchases. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 15.

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 7,283
Entry year programs	31
IDEA part B grants	19,370
Title I disadvantaged children	85,424
Title V innovative education programs	1,085
Drug free school grant	1,622
Improving teacher quality	7,997
Miscellaneous federal grants	133

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim 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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of 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 year-end, the District had \$1,110 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, 2008, the carrying amount of all District deposits was \$(75,633), exclusive of the \$3,383,103 in repurchase agreements included in investments below. A liability has not been recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the "sweeping" of monies into overnight repurchase agreements, which are reported as investments. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", the District's bank balance was \$0 at June 30, 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2008, 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	\$ 3,383,103	\$ 3,383,103
STAR Ohio	<u>23,035,928</u>	<u>23,035,928</u>
	<u>\$ 26,419,031</u>	<u>\$ 26,419,031</u>

The weighted average maturity of investments is one day.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its 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 pledged by the investment's counterparty, not in the name of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment</u>	<u>Fair Market Value</u>	<u>Percent of Total</u>
Repurchase agreements	\$ 3,383,103	12.81
STAR Ohio	<u>23,035,928</u>	<u>87.19</u>
	<u>\$ 26,419,031</u>	<u>100.00</u>

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

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 assets as of June 30, 2008:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ (75,633)
Investments	26,419,031
Cash on hand	<u>1,110</u>
Total	<u>\$ 26,344,508</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 26,279,705
Agency funds	<u>64,803</u>
Total	<u>\$ 26,344,508</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the fiscal year ended June 30, 2008 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>		<u>Amount</u>
Nonmajor governmental funds		\$ 11,873
 <u>Transfers from nonmajor governmental funds to:</u>		
Classroom facilities fund		<u>18,391,024</u>
Total		<u>\$ 18,402,897</u>

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

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

- B. Interfund loans at June 30, 2008 consisted of the following, as reported in the fund financial statements:

<u>Interfund loans receivable in the general fund from:</u>		<u>Amount</u>
Nonmajor governmental funds		\$ 81,218

Interfund loans between governmental funds are eliminated in the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 unearned revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 159,402,913	93.75	\$ 163,407,080	95.44
Public utility personal property	6,930,010	4.08	5,956,660	3.48
Tangible personal property	<u>3,687,380</u>	<u>2.17</u>	<u>1,843,690</u>	<u>1.08</u>
Total	<u>\$ 170,020,303</u>	<u>100.00</u>	<u>\$ 171,207,430</u>	<u>100.00</u>

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

General operations	\$ 49.75	\$ 51.60
Permanent improvement	-	0.50
Bonded debt	-	7.40

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities

Taxes	\$ 6,666,001
Accounts	2,453
Intergovernmental	<u>18,190,530</u>
Total	<u>\$ 24,858,984</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance			Balance
	June 30, 2007	Additions	Disposals	June 30, 2008
<i>Capital assets, not being depreciated:</i>				
Land	\$ 60,001	\$ -	\$ -	\$ 60,001
Construction in progress	-	627,007	-	627,007
Total capital assets, not being depreciated	<u>60,001</u>	<u>627,007</u>	<u>-</u>	<u>687,008</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	646,830	-	-	646,830
Building and improvements	7,328,691	-	-	7,328,691
Furniture and equipment	1,898,293	6,390	(17,261)	1,887,422
Vehicles	1,199,499	12,000	-	1,211,499
Total capital assets, being depreciated	<u>11,073,313</u>	<u>18,390</u>	<u>(17,261)</u>	<u>11,074,442</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(498,307)	(19,793)	-	(518,100)
Building and improvements	(3,699,366)	(133,261)	-	(3,832,627)
Furniture and equipment	(1,572,239)	(57,446)	17,261	(1,612,424)
Vehicles	(686,215)	(79,566)	-	(765,781)
Total accumulated depreciation	<u>(6,456,127)</u>	<u>(290,066)</u>	<u>17,261</u>	<u>(6,728,932)</u>
Governmental activities capital assets, net	<u>\$ 4,677,187</u>	<u>\$ 355,331</u>	<u>\$ -</u>	<u>\$ 5,032,518</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 96,699
Special	15,682
Vocational	3,220
Other	2,923
<u>Support services:</u>	
Pupil	4,393
Instructional staff	7,941
Board of education	750
Administration	17,389
Fiscal	6,121
Operations and maintenance	21,530
Pupil transportation	92,067
Central	980
Other non-instructional services	46
Extracurricular activities	12,050
Food service operations	<u>8,275</u>
Total depreciation expense	<u>\$ 290,066</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 (effective interest 18.78%) and December 1, 2015 (effective 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 \$27,168 has been included in the statement of net assets at June 30, 2008.

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 in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement debt service fund (a nonmajor governmental 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, 2036.

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

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>June 30, 2007</u>			<u>June 30, 2008</u>
<u>General obligation bonds - series 2007</u>				
Current interest bonds	\$ -	\$ 14,490,000	\$ -	\$ 14,490,000
Capital appreciation bonds	-	209,990	-	209,990
Accreted interest	-	27,168	-	27,168
Total	<u>\$ -</u>	<u>\$ 14,727,158</u>	<u>\$ -</u>	<u>\$ 14,727,158</u>

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
2009	\$ 150,000	\$ 618,437	\$ 768,437	\$ -	\$ -	\$ -
2010	340,000	608,638	948,638	-	-	-
2011	355,000	594,737	949,737	-	-	-
2012	365,000	580,338	945,338	-	-	-
2013	380,000	565,437	945,437	-	-	-
2014 - 2018	1,235,000	2,684,889	3,919,889	209,990	620,010	830,000
2019 - 2023	2,410,000	2,308,262	4,718,262	-	-	-
2024 - 2028	2,960,000	1,749,662	4,709,662	-	-	-
2029 - 2033	3,670,000	1,018,125	4,688,125	-	-	-
2034 - 2036	2,625,000	180,787	2,805,787	-	-	-
Total	<u>\$ 14,490,000</u>	<u>\$ 10,909,312</u>	<u>\$ 25,399,312</u>	<u>\$ 209,990</u>	<u>\$ 620,010</u>	<u>\$ 830,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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 (effective interest 16.40%) and December 1, 2015 (effective 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 \$6,494 has been included in the statement of net assets at June 30, 2008.

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 in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement debt service fund (a nonmajor governmental 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 issues is December 1, 2036.

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

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
<u>General obligation bonds - series 2008</u>				
Current interest bonds	\$ -	\$ 5,600,000	\$ -	\$ 5,600,000
Capital appreciation bonds	-	100,006	-	100,006
Accreted interest	-	6,494	-	6,494
Total	\$ -	\$ 5,706,500	\$ -	\$ 5,706,500

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
2009	\$ 150,000	\$ 227,686	\$ 377,686	\$ -	\$ -	\$ -
2010	130,000	222,436	352,436	-	-	-
2011	135,000	217,468	352,468	-	-	-
2012	140,000	212,311	352,311	-	-	-
2013	145,000	206,968	351,968	-	-	-
2014 - 2018	475,000	983,631	1,458,631	100,006	219,994	320,000
2019 - 2023	925,000	840,417	1,765,417	-	-	-
2024 - 2028	1,130,000	632,889	1,762,889	-	-	-
2029 - 2033	1,385,000	366,622	1,751,622	-	-	-
2034 - 2036	985,000	64,608	1,049,608	-	-	-
Total	\$ 5,600,000	\$ 3,975,036	\$ 9,575,036	\$ 100,006	\$ 219,994	\$ 320,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. For the fiscal year ended June 30, 2008, the following changes occurred in the governmental activities long-term obligations.

<u>Governmental activities</u>	<u>Balance</u> <u>06/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>06/30/08</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
General obligation bonds - series 2007	\$ -	\$ 14,727,158	\$ -	\$ 14,727,158	\$ 150,000
General obligation bonds - series 2008	-	5,706,500	-	5,706,500	150,000
Compensated absences	<u>531,773</u>	<u>43,745</u>	<u>(52,906)</u>	<u>522,612</u>	<u>80,251</u>
Total	<u>\$ 531,773</u>	<u>\$ 20,477,403</u>	<u>\$ (52,906)</u>	<u>\$ 20,956,270</u>	<u>\$ 380,251</u>
Add: Unamortized premium				<u>287,558</u>	
Total amount reported on the statement of net assets				<u>\$ 21,243,828</u>	

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.

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, 2008 are a legal voted debt margin of \$(4,701,726) (including available funds of \$459,980) and a legal unvoted debt margin of \$169,314.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

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

The comprehensive commercial insurance coverage limits are \$31,742,842. The business auto coverage limits are \$1,000,000 for liability. The District has a liability insurance coverage limit of \$1,000,000 per claim and \$5,000,000 annual aggregate.

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

B. Mahoning County Employee Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 12 member school districts. The plan was organized 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 \$135,000 per individual per year. Any claims exceeding the \$185,000 is covered by the District's stop-loss carrier, The consortium has a fund which picks up the \$40,000 difference between the \$135,000 per incident and the \$185,000 stop loss agreement.

The District pays the health insurance premiums for about 93% of medical premiums and 90% of dental premiums. Employees pay a flat rate premium share which varies depending on type of coverage.

The health and dental coverage is administered by Medical Mutual of Ohio, a third party administrator. Kanawha Life Insurance Company provides the life insurance coverage on a single provider basis.

C. Workers' Compensation

The District participates in the Ohio Association of School Business Officials 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - RISK MANAGEMENT - (Continued)

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

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 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 to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$134,400, \$143,131, and \$135,695, respectively; 41.48 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - PENSION PLANS - (Continued)

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 Web site at www.strsoh.org.

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.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$717,076, \$686,446, and \$649,452, respectively; 83.40 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$11,936 made by the District and \$18,694 made by 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, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$91,213, \$69,128, and \$74,189, respectively; 41.48 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$9,684, \$9,733, and \$10,800, respectively; 41.48 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

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 or by calling (888) 227-7877.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2008, 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, 2008, 2007, and 2006, were \$55,160, \$52,804, and \$49,958, respectively; 83.40 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 658,899
Net adjustment for revenue accruals	(25,909)
Net adjustment for expenditure accruals	(38,052)
Net adjustment for other financing sources/uses	(4,177)
Adjustment for encumbrances	55,120
GAAP basis	\$ 645,881

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 not involved in any material litigation as either plaintiff or defendant.

NOTE 15 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance as of June 30, 2007	\$ (39,653)	\$ 359,499
Current year set-aside requirement	204,428	204,428
Current year offsets	-	(20,399,996)
Current year qualifying expenditures	<u>(193,984)</u>	<u>(81,292)</u>
Total	<u>\$ (29,209)</u>	<u>\$ (19,917,361)</u>
Balance carried forward to FY2009	<u>\$ (29,209)</u>	<u>\$ (19,836,069)</u>

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

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

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

A schedule of restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchases	<u>\$ 33,542</u>
Total	<u>\$ 33,542</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - SIGNIFICANT SUBSEQUENT EVENTS

- A.** On November 4, 2008, the voters of the District passed a renewal of an existing property tax for five years in excess of the 10 mill limitation to raise \$793,000 in each year the property levy is in effect. Also, on January 26, 2009, the Board of Education passed a resolution declaring the necessity to levy the renewal of an existing property tax for ten years in excess of the 10 mill limitation to raise \$730,000 in each year the levy is in effect. The voters passed the renewal on May 5, 2009.
- B.** On October 20, 2008, the Board of Education passed a resolution to enter into an agreement with the Ohio School Facilities Commission to construct a building to house kindergarten through 12th grade. The State share of the construction cost being \$19,923,609 and the local share being \$18,391,023.

The District awarded contracts pursuant to construction of the new building as follows:

<u>Bid Package</u>	<u>Amount</u>	<u>Date Awarded</u>
General Trades	\$ 12,870,300	April 7, 2009
Plumbing	1,722,494	April 7, 2009
Electric	2,259,349	April 7, 2009
Kitchen Equipment	502,488	April 20, 2009
Fire Protection	435,600	April 20, 2009
Roofing	1,549,000	May 27, 2009
HVAC	3,440,000	May 27, 2009
Tech. & Security	1,803,033	September 9, 2009

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**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$24,682		\$24,682
Nutrition Cluster:						
School Breakfast Program	05PU-2008	10.553	\$12,964		\$12,964	
National School Lunch Program	LLP4-2008	10.555	82,941		82,941	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>95,905</u>	<u>24,682</u>	<u>95,905</u>	<u>24,682</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2007	84.010	61,462		1,853	
	C1S1-2008	84.010	55,214		129,102	
Total Grants to Local Educational Agencies (ESEA Title I)			<u>116,676</u>		<u>130,955</u>	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6BSF-2008	84.027	265,286		269,570	
Drug - Free Schools Grant	DRS1-2007	84.186	859		316	
	DRS1-2008	84.186	2,569		4,145	
Total Drug - Free Schools Grant			<u>3,428</u>		<u>4,461</u>	
Innovative Educational Program Strategies	C2S1-2008	84.298	1,794		2,891	
Technology Literacy Challenge Fund Grants	TJS1-2007	84.318	16		0	
	TJS1-2008	84.318	1,306		1,306	
Total Technology Literacy Challenge Fund Grants			<u>1,322</u>		<u>1,306</u>	
Improving Teacher Quality State Grants (Title II Part A)	TRS1-2007	84.367	24,587		7,947	
	TRS1-2008	84.367	49,163		49,536	
Total Improving Teacher Quality State Grants (Title II Part A)			<u>73,750</u>		<u>57,483</u>	
Total Department of Education			<u>462,256</u>		<u>466,666</u>	
Totals			<u><u>\$558,161</u></u>	<u><u>\$24,682</u></u>	<u><u>\$562,571</u></u>	<u><u>\$24,682</u></u>

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

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Range Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated October 19, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated October 19, 2009.

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

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

Mary Taylor, CPA
Auditor of State

October 19, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of South Range Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the South Range Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

October 19, 2009

**SOUTH RANGE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

SOUTH RANGE LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 12, 2009**