



**Auditor of State
Betty Montgomery**

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Steubenville City School District
Jefferson County
932 North Fifth Street
Steubenville, Ohio 43952

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 Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table on 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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 Steubenville City School District, Jefferson County as of June 30, 2003, and the respective changes in financial position and the cash flows, where applicable and the respective budgetary comparison for the General Fund there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 during the year ended June 30, 2003, the District implemented a financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form our opinions on the financial statements that collectively comprise the basic financial statements. The federal awards expenditures 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.



Betty Montgomery
Auditor of State

January 30, 2004

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of the Steubenville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2003 are as follows:

- Net assets of governmental activities increased \$1,500,014.
- General revenues accounted for \$13,270,385 in revenue or 63 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$7,676,177 or 37 percent of total revenues of \$20,946,562.
- Total assets of governmental activities increased \$235,957 due primarily to a combination of a decrease in equity in pooled cash and cash equivalents of \$759,210 and an increase in capital assets of \$973,083 due primarily to the purchase of capital assets and the completion of the new Harding Middle School during fiscal year 2003.
- The School District had \$19,446,548 in expenses related to governmental activities; only \$7,676,177 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$13,270,385 provided for most of these activities.
- The general fund, one of the major funds, had \$13,676,267 in revenues and \$13,116,263 in expenditures. The general fund's balance decreased \$254,236.
- The debt service fund, the other major fund, had \$1,038,830 in revenues and \$1,256,375 in expenditures. The debt service fund balance decreased \$97,518.

Using this Annual Financial Report

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 Steubenville City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School 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 School District's activities are all considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

Governmental Funds Most of the School 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 fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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 financial statements.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

Table 1
Net Assets

| | Governmental Activities | |
|----------------------------|--------------------------------|---------------------|
| | 2003 | 2002 |
| Assets | | |
| Current and Other Assets | \$20,208,502 | \$20,945,628 |
| Capital Assets | 21,648,403 | 20,675,320 |
| Total Assets | 41,856,905 | 41,620,948 |
| Liabilities | | |
| Long-Term Liabilities | 12,501,015 | 12,894,080 |
| Other Liabilities | 5,934,605 | 6,805,597 |
| Total Liabilities | 18,435,620 | 19,699,677 |
| Net Assets | | |
| Invested in Capital Assets | | |
| Net of Debt | 10,669,777 | 9,291,734 |
| Restricted | 4,221,237 | 4,630,527 |
| Unrestricted | 8,530,271 | 7,999,010 |
| Total Net Assets | \$23,421,285 | \$21,921,271 |

Total assets of governmental activities increased \$235,957. The majority of the decrease in current and other assets was due to a decrease in equity in pooled cash and cash equivalents of \$759,210. Capital assets increased \$973,083 due primarily to the purchase of capital assets and the completion of the new Harding Middle School during fiscal year 2003.

Total liabilities decreased \$1,264,057. Contracts payable decreased \$785,557 due to the fact that the construction was completed on Harding Middle School during fiscal year 2003. Claims payable decreased by \$480,859 as reported by the School District's third party administrator. These liability decreases were slightly offset by increases in other liability accounts. Long-term liabilities also decreased during fiscal year 2003 by principal repayments.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Steubenville City School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2
Changes in Net Assets

| | Governmental Activities |
|---|--------------------------------|
| | 2003 |
| Revenues | |
| Program Revenues: | |
| Charges for Services | \$1,599,927 |
| Operating Grants | 5,987,187 |
| Capital Grants | 89,063 |
| Total Program Revenues | 7,676,177 |
| General Revenues: | |
| Property Taxes | 3,994,923 |
| Grants and Entitlements | 8,922,119 |
| Others | 353,343 |
| Total General Revenues | 13,270,385 |
| Total Revenues | 20,946,562 |
| | |
| Program Expenses: | |
| Instruction: | |
| Regular | 6,526,082 |
| Special | 4,004,454 |
| Vocational | 692,861 |
| Adult/Continuing | 1,600 |
| Support Services: | |
| Pupil | 838,975 |
| Instructional Staff | 578,366 |
| Board of Education, Administration, Fiscal and Business | 2,082,463 |
| Operation and Maintenance of Plant | 1,970,882 |
| Pupil Transportation | 290,007 |
| Central | 12,007 |
| Operation of Non-Instructional Services | 516,220 |
| Food Service Operations | 690,559 |
| Extracurricular Activities | 512,431 |
| Interest and Fiscal Charges | 729,641 |
| Total Expenses | 19,446,548 |
| | |
| Change in Net Assets | \$1,500,014 |

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

In 2003, 19 percent of the School District's revenues were from property taxes and 43 percent were from unrestricted grants and entitlements.

Instructional programs comprise approximately 58 percent of total governmental program expenses. Of the instructional expenses, approximately 58 percent is for regular instruction, 36 percent for special instruction, and 6 percent for vocational and adult/continuing instruction.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

| | Total Cost of Services 2003 | Net Cost of Services 2003 |
|---|--|--------------------------------------|
| Instruction: | | |
| Regular | \$6,526,082 | \$3,343,636 |
| Special | 4,004,454 | 2,126,448 |
| Vocational | 692,861 | 690,102 |
| Adult/Continuing | 1,600 | 50 |
| Support Services: | | |
| Pupil | 838,975 | 647,665 |
| Instructional Staff | 578,366 | 180,992 |
| Board of Education, Administration, Fiscal and Business | 2,082,463 | 1,777,265 |
| Operation and Maintenance of Plant | 1,970,882 | 1,755,654 |
| Pupil Transportation | 290,007 | 264,519 |
| Central | 12,007 | 1,858 |
| Operation of Non-Instructional Services | 516,220 | 27,389 |
| Food Service Operations | 690,559 | (61,458) |
| Extracurricular Activities | 512,431 | 286,610 |
| Interest and Fiscal Charges | 729,641 | 729,641 |
| Total Expenses | \$19,446,548 | \$11,770,371 |

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 80 percent of expenses are supported through taxes and other general revenues.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,799,425 and expenditures of \$21,683,576. As apparent, the School District's spending exceeded revenues during the fiscal year.

General Fund Budgeting Highlights

The School 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 2003, the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts.

For the general fund, original estimated revenue was \$14,633,274 while final estimated revenue was \$14,227,883. The \$405,391 decrease was due primarily to decreased state funding and tax receipts coming in below original estimates.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$21,648,403 invested in land, land improvements, buildings and improvements, furniture, fixtures, equipment and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002.

Table 4
Capital Assets at June 30
(Net of Depreciation)

| | Governmental Activities | |
|--------------------------------|--------------------------------|---------------------|
| | 2003 | 2002 |
| Land and Land Improvements | \$6,431,832 | \$6,485,349 |
| Buildings and Improvements | 14,297,160 | 13,389,465 |
| Furniture, Fixtures, Equipment | 671,672 | 562,196 |
| Vehicles | 247,739 | 238,310 |
| | \$21,648,403 | \$20,675,320 |

During fiscal year 2003, the School District underwent a revaluation of capital assets. The School District also purchased land, building improvements, various furniture and equipment and the completion of Harding Middle School which all contributed to the increase in capital assets. This increase was offset by

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

an increase in the capitalization threshold to \$5,000. See note 10 for more detailed information of the School District's capital assets.

Debt

At June 30, 2003, the School District had \$10,978,626 in bonds, loans and capital leases outstanding.

Table 5
Outstanding Debt at Year End

| | Governmental Activities | |
|--|--------------------------------|----------------------------|
| | <u>2003</u> | <u>2002</u> |
| 1993 High School Addition and Improvements Serial Bonds | \$735,000 | \$765,000 |
| 1998 Refunding Bonds - Serial, Term, and Capital Appreciation Bonds | 6,858,858 | 7,152,241 |
| 2000 School Facilities Serial, Term, and Capital Appreciation Bonds | 3,096,079 | 3,183,158 |
| Energy Conservation Loans | 160,151 | 268,771 |
| Capital Leases | 128,538 | 14,416 |
| Totals | <u><u>\$10,978,626</u></u> | <u><u>\$11,383,586</u></u> |

See note 16 for more detailed information on the School District's debt.

Economic Factors

Steubenville City Schools is an inner-city district with a large percentage of students on Aid for Dependent Children (ADC) due to high poverty, single parent households, and high unemployment within the local area. The high percentage of low-income students has made the School District eligible for funding through state and federal grants and through federal programs. In this regard, the School District has been aggressive in pursuing and obtaining such funds as sources of added revenue.

In November of 1999, the voters of the school district passed a 2.1 mill bond retirement levy which enabled the school district to receive \$8,344,885 in state funding for the construction of a new middle school. The construction phase was completed in fiscal year 2003.

During fiscal year 2003, the School District engaged in several building improvement projects, ranging from the installation of a new boiler at one of the elementary schools to the renovation of the District's athletic stadium. Two pieces of property were also purchased in anticipation of future District growth. In fiscal year 2003, the District's general liability, property and fleet insurance increased dramatically. These added costs, coupled with rising utility costs and increased repair costs for District equipment materials, has impacted, and continues to impact, District expenditures.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Theresa DeCaria, Treasurer/CFO at Steubenville City School District, 932 North Fifth Street, Steubenville, Ohio 43952.

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Steubenville City School District
Statement of Net Assets
June 30, 2003

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$13,708,654 |
| Accrued Interest Receivable | 8,514 |
| Accounts Receivable | 7,379 |
| Intergovernmental Receivable | 442,954 |
| Prepaid Items | 212,360 |
| Inventory Held for Resale | 5,769 |
| Materials and Supplies Inventory | 12,907 |
| Property Taxes Receivable | 5,809,965 |
| Non-Depreciating Capital Assets | 5,614,000 |
| Depreciating Capital Assets, Net | 16,034,403 |
| <i>Total Assets</i> | 41,856,905 |
| Liabilities | |
| Accounts Payable | 26,943 |
| Accrued Wages and Benefits Payable | 1,526,550 |
| Matured Severance Payable | 39,799 |
| Vacation Benefits Payable | 57,100 |
| Intergovernmental Payable | 445,569 |
| Accrued Interest Payable | 33,134 |
| Claims Payable | 274,439 |
| Retainage Payable | 59,450 |
| Deferred Revenue | 3,471,621 |
| Long-Term Liabilities: | |
| Due Within One Year | 863,674 |
| Due In More Than One Year | 11,637,341 |
| <i>Total Liabilities</i> | 18,435,620 |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 10,669,777 |
| Restricted for: | |
| Capital Projects | 1,284,277 |
| Debt Service | 1,502,910 |
| Set Asides | 85,496 |
| Other Purposes | 1,348,554 |
| Unrestricted | 8,530,271 |
| <i>Total Net Assets</i> | \$23,421,285 |

See accompanying notes to the basic financial statements

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Steubenville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

| | Program Revenues | | | |
|---|---------------------|-----------------------------------|---------------------------------------|-------------------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$6,526,082 | \$856,696 | \$2,259,232 | \$66,518 |
| Special | 4,004,454 | 154,908 | 1,700,553 | 22,545 |
| Vocational | 692,861 | 0 | 2,759 | 0 |
| Adult/Continuing | 1,600 | 0 | 1,550 | 0 |
| Support Services: | | | | |
| Pupil | 838,975 | 18,215 | 173,095 | 0 |
| Instructional Staff | 578,366 | 45,786 | 351,588 | 0 |
| Board of Education | 27,651 | 0 | 0 | 0 |
| Administration | 1,602,707 | 3,574 | 264,312 | 0 |
| Fiscal | 307,154 | 0 | 29,667 | 0 |
| Business | 144,951 | 7,645 | 0 | 0 |
| Operation and Maintenance of Plant | 1,970,882 | 22,263 | 192,965 | 0 |
| Pupil Transportation | 290,007 | 25,488 | 0 | 0 |
| Central | 12,007 | 0 | 10,149 | 0 |
| Operation of Non-Instructional Services | 516,220 | 11,799 | 477,032 | 0 |
| Food Service Operations | 690,559 | 227,732 | 524,285 | 0 |
| Extracurricular Activities | 512,431 | 225,821 | 0 | 0 |
| Interest and Fiscal Charges | 729,641 | 0 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>\$19,446,548</u> | <u>\$1,599,927</u> | <u>\$5,987,187</u> | <u>\$89,063</u> |

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service
Property Taxes Levied for Capital Outlay
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental
Activities

(\$3,343,636)
(2,126,448)
(690,102)
(50)

(647,665)
(180,992)
(27,651)
(1,334,821)
(277,487)
(137,306)
(1,755,654)
(264,519)
(1,858)
(27,389)
61,458
(286,610)
(729,641)

(11,770,371)

3,040,061
889,452
65,410
8,922,119
196,319
157,024

13,270,385

1,500,014

21,921,271

\$23,421,285

Stuebenville City School District
Balance Sheet
Governmental Funds
June 30, 2003

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$7,058,325 | \$1,050,565 | \$2,978,097 | \$11,086,987 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 146,252 | 0 | 59,450 | 205,702 |
| Receivables: | | | | |
| Property Taxes | 4,466,508 | 1,251,607 | 91,850 | 5,809,965 |
| Accounts | 4,634 | 0 | 2,745 | 7,379 |
| Intergovernmental | 0 | 0 | 442,954 | 442,954 |
| Accrued Interest | 8,514 | 0 | 0 | 8,514 |
| Interfund | 75,000 | 0 | 0 | 75,000 |
| Prepaid Items | 186,615 | 0 | 25,745 | 212,360 |
| Inventory Held for Resale | 0 | 0 | 5,769 | 5,769 |
| Materials and Supplies Inventory | 11,489 | 0 | 1,418 | 12,907 |
| <i>Total Assets</i> | <u>\$11,957,337</u> | <u>\$2,302,172</u> | <u>\$3,608,028</u> | <u>\$17,867,537</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | \$1,843 | \$0 | \$25,100 | \$26,943 |
| Accrued Wages and Benefits | 1,157,774 | 0 | 368,776 | 1,526,550 |
| Matured Severance Payable | 39,799 | 0 | 0 | 39,799 |
| Interfund Payable | 0 | 0 | 75,000 | 75,000 |
| Intergovernmental Payable | 259,209 | 0 | 84,067 | 343,276 |
| Retainage Payable | 0 | 0 | 59,450 | 59,450 |
| Deferred Revenue | 3,853,134 | 1,065,724 | 200,035 | 5,118,893 |
| <i>Total Liabilities</i> | <u>5,311,759</u> | <u>1,065,724</u> | <u>812,428</u> | <u>7,189,911</u> |
| Fund Balances | | | | |
| Reserved for Encumbrances | 465,641 | 0 | 717,475 | 1,183,116 |
| Reserved for Property Taxes | 621,888 | 185,883 | 13,872 | 821,643 |
| Reserved for Budget Stabilization | 85,496 | 0 | 0 | 85,496 |
| Reserved for Bus Purchases | 60,756 | 0 | 0 | 60,756 |
| Unreserved: | | | | |
| Designated for Budget Stabilization | 181,461 | 0 | 0 | 181,461 |
| Undesignated, Reported in: | | | | |
| General Fund | 5,230,336 | 0 | 0 | 5,230,336 |
| Special Revenue Funds | 0 | 0 | 1,010,315 | 1,010,315 |
| Debt Service Funds | 0 | 1,050,565 | 0 | 1,050,565 |
| Capital Projects Funds | 0 | 0 | 1,053,938 | 1,053,938 |
| <i>Total Fund Balances</i> | <u>6,645,578</u> | <u>1,236,448</u> | <u>2,795,600</u> | <u>10,677,626</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$11,957,337</u> | <u>\$2,302,172</u> | <u>\$3,608,028</u> | <u>\$17,867,537</u> |

See accompanying notes to the basic financial statements

Steubenville City School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2003*

| | |
|--|----------------------------|
| Total Governmental Fund Balances | \$10,677,626 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because</i> | |
| Capital assets used in governmental activities are not financial resources and therefore are deferred in the funds. | 21,648,403 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | |
| Grants | 122,057 |
| Property Taxes | 1,516,701 |
| Interest | <u>8,514</u> |
| Total | 1,647,272 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | 2,141,526 |
| Intergovernmental payable includes contractually required pension contributions not expected to be paid with available resources, and therefore, are not reported in the funds. | (102,293) |
| Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds: | |
| General Obligation Bonds | 10,689,937 |
| Compensated Absences | 1,522,389 |
| Vacation Benefits Payable | 57,100 |
| Energy Conservation Loan | 160,151 |
| Accrued Interest Payable | 33,134 |
| Capital Leases | <u>128,538</u> |
| Total | <u>(12,591,249)</u> |
| <i>Net Assets of Governmental Activities</i> | <u><u>\$23,421,285</u></u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$3,025,572 | \$885,822 | \$65,158 | \$3,976,552 |
| Intergovernmental | 9,368,975 | 138,714 | 5,343,206 | 14,850,895 |
| Interest | 158,539 | 14,294 | 19,684 | 192,517 |
| Tuition and Fees | 1,036,284 | 0 | 49,345 | 1,085,629 |
| Extracurricular Activities | 0 | 0 | 222,102 | 222,102 |
| Rent | 14,387 | 0 | 30,642 | 45,029 |
| Contributions and Donations | 0 | 0 | 22,510 | 22,510 |
| Charges for Services | 0 | 0 | 247,167 | 247,167 |
| Miscellaneous | 72,510 | 0 | 84,514 | 157,024 |
| <i>Total Revenues</i> | <u>13,676,267</u> | <u>1,038,830</u> | <u>6,084,328</u> | <u>20,799,425</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,784,903 | 0 | 1,887,592 | 6,672,495 |
| Special | 2,329,296 | 0 | 1,801,311 | 4,130,607 |
| Vocational | 685,197 | 0 | 3,001 | 688,198 |
| Adult/Continuing | 0 | 0 | 1,600 | 1,600 |
| Support Services: | | | | |
| Pupil | 636,641 | 0 | 206,013 | 842,654 |
| Instructional Staff | 141,850 | 0 | 397,281 | 539,131 |
| Board of Education | 27,227 | 0 | 0 | 27,227 |
| Administration | 1,288,692 | 0 | 282,060 | 1,570,752 |
| Fiscal | 252,677 | 25,049 | 32,535 | 310,261 |
| Business | 140,391 | 0 | 11,052 | 151,443 |
| Operation and Maintenance of Plant | 1,896,387 | 0 | 90,022 | 1,986,409 |
| Pupil Transportation | 304,657 | 0 | 0 | 304,657 |
| Central | 54 | 0 | 10,202 | 10,256 |
| Operation of Non-Instructional Services | 0 | 0 | 532,533 | 532,533 |
| Extracurricular Activities | 187,567 | 0 | 283,075 | 470,642 |
| Food Service Operations | 0 | 0 | 686,254 | 686,254 |
| Capital Outlay | 375,897 | 0 | 1,084,287 | 1,460,184 |
| Debt Service: | | | | |
| Principal Retirement | 39,545 | 738,620 | 2,120 | 780,285 |
| Interest and Fiscal Charges | 25,282 | 492,706 | 0 | 517,988 |
| <i>Total Expenditures</i> | <u>13,116,263</u> | <u>1,256,375</u> | <u>7,310,938</u> | <u>21,683,576</u> |
| <i>Excess of Revenues Over (Under)</i> <i>Expenditures</i> | <u>560,004</u> | <u>(217,545)</u> | <u>(1,226,610)</u> | <u>(884,151)</u> |
| Other Financing Sources (Uses) | | | | |
| Inception of Capital Lease | 155,787 | 0 | 0 | 155,787 |
| Transfers In | 0 | 120,027 | 850,000 | 970,027 |
| Transfers Out | (970,027) | 0 | 0 | (970,027) |
| Total Other Financing Sources (Uses) | <u>(814,240)</u> | <u>120,027</u> | <u>850,000</u> | <u>155,787</u> |
| <i>Net Change in Fund Balance</i> | (254,236) | (97,518) | (376,610) | (728,364) |
| <i>Fund Balances Beginning of Year - Restated (Note 3)</i> | <u>6,899,814</u> | <u>1,333,966</u> | <u>3,172,210</u> | <u>11,405,990</u> |
| <i>Fund Balances End of Year</i> | <u>\$6,645,578</u> | <u>\$1,236,448</u> | <u>\$2,795,600</u> | <u>\$10,677,626</u> |

See accompanying notes to the basic financial statements

Steubenville City School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$728,364)

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 outlay exceeded depreciation in the current period.

| | | |
|----------------|----------------|---------|
| Capital Outlay | 1,711,474 | |
| Depreciation | (738,391) | |
| Total | <u>973,083</u> | 973,083 |

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

| | | |
|----------------|----------------|---------|
| Grants | 122,057 | |
| Property Taxes | 18,371 | |
| Interest | 6,174 | |
| Total | <u>146,602</u> | 146,602 |

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | | |
|---------------------------|----------------|---------|
| General Obligation Bonds | 630,000 | |
| Energy Conservation Loans | 108,620 | |
| Capital Leases | 41,665 | |
| Total | <u>780,285</u> | 780,285 |

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities, and the accretion of interest of capital appreciation bonds is reported in the statement of activities.

| | | |
|-----------------------|------------------|-----------|
| Accrued Interest | 7,885 | |
| Accretion of Interest | (219,538) | |
| Total | <u>(211,653)</u> | (211,653) |

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the statement of activities. (155,787)

Some expenses reported in the statement of activities, such as compensated absences, vacation benefits payable and intergovernmental payables, which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|---------------------------|-----------------|----------|
| Intergovernmental Payable | (2,180) | |
| Vacation Benefits Payable | (21,524) | |
| Compensated Absences | (11,895) | |
| Total | <u>(35,599)</u> | (35,599) |

The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. The net revenue (expense) internal service fund revenues are eliminated.

731,447

Changes in Net Assets of Governmental Activities \$1,500,014

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------------|---------------------------|---------------------------|-------------------------------|
| Revenues | | | | |
| Property Taxes | \$3,660,244 | \$3,515,665 | \$3,515,665 | \$0 |
| Intergovernmental | 9,603,930 | 9,384,258 | 9,384,258 | 0 |
| Interest | 200,000 | 163,230 | 158,539 | (4,691) |
| Tuition and Fees | 1,071,500 | 1,037,192 | 1,036,284 | (908) |
| Rent | 13,600 | 14,600 | 14,387 | (213) |
| Miscellaneous | 84,000 | 112,938 | 67,876 | (45,062) |
| <i>Total Revenues</i> | <u>14,633,274</u> | <u>14,227,883</u> | <u>14,177,009</u> | <u>(50,874)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,506,711 | 6,733,982 | 4,910,489 | 1,823,493 |
| Special | 2,591,088 | 2,648,063 | 2,363,210 | 284,853 |
| Vocational | 873,863 | 838,939 | 702,613 | 136,326 |
| Support Services: | | | | |
| Pupils | 718,976 | 705,882 | 635,234 | 70,648 |
| Instructional Staff | 294,825 | 265,650 | 145,421 | 120,229 |
| Board of Education | 87,980 | 87,980 | 39,264 | 48,716 |
| Administration | 1,328,462 | 1,366,077 | 1,295,445 | 70,632 |
| Fiscal | 330,179 | 338,229 | 265,078 | 73,151 |
| Business | 269,368 | 229,258 | 149,810 | 79,448 |
| Operation and Maintenance of Plant | 1,940,367 | 2,305,153 | 2,194,858 | 110,295 |
| Pupil Transportation | 406,732 | 414,732 | 331,090 | 83,642 |
| Central | 610,000 | 20,839 | 0 | 20,839 |
| Extracurricular Activities | 237,565 | 244,115 | 187,634 | 56,481 |
| Capital Outlay | 125,589 | 230,089 | 229,410 | 679 |
| <i>Total Expenditures</i> | <u>16,321,705</u> | <u>16,428,988</u> | <u>13,449,556</u> | <u>2,979,432</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,688,431)</u> | <u>(2,201,105)</u> | <u>727,453</u> | <u>2,928,558</u> |
| Other Financing Sources (Uses) | | | | |
| Advances In | 228,560 | 0 | 0 | 0 |
| Transfers Out | (400,000) | (1,070,027) | (970,027) | 100,000 |
| Advances Out | (328,560) | (81,862) | (75,000) | 6,862 |
| Total Other Financing Sources (Uses) | <u>(500,000)</u> | <u>(1,151,889)</u> | <u>(1,045,027)</u> | <u>106,862</u> |
| <i>Net Change in Fund Balance</i> | <u>(2,188,431)</u> | <u>(3,352,994)</u> | <u>(317,574)</u> | <u>3,035,420</u> |
| <i>Fund Balance at Beginning of Year</i> | 6,781,005 | 6,781,005 | 6,781,005 | 0 |
| Prior Year Encumbrances Appropriated | <u>273,813</u> | <u>273,813</u> | <u>273,813</u> | <u>0</u> |
| <i>Fund Balance at End of Year</i> | <u><u>\$4,866,387</u></u> | <u><u>\$3,701,824</u></u> | <u><u>\$6,737,244</u></u> | <u><u>\$3,035,420</u></u> |

See accompanying notes to the basic financial statement:

Steubenville City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2003

| | <u>Governmental Activity</u> <u>Internal Service Fund</u> |
|--|--|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$2,415,965 |
| Current Liabilities | |
| Claims Payable | <u>274,439</u> |
| Net Assets | |
| Unrestricted | <u>2,141,526</u> |
| <i>Total Net Assets</i> | <u><u>\$2,141,526</u></u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2003

| | <u>Governmental</u> <u>Activity</u> <u>Internal Service</u> <u>Fund</u> |
|-------------------------------------|--|
| Operating Revenues | |
| Charges for Services | <u>\$2,297,833</u> |
| Operating Expenses | |
| Purchased Services | 340,160 |
| Claims | 1,225,943 |
| Other | <u>818</u> |
| <i>Total Operating Expenses</i> | <u>1,566,921</u> |
| <i>Operating Income</i> | 730,912 |
| Non-Operating Revenues | |
| Interest | <u>535</u> |
| <i>Change in Net Assets</i> | 731,447 |
| <i>Net Assets Beginning of Year</i> | <u>1,410,079</u> |
| <i>Net Assets End of Year</i> | <u><u>\$2,141,526</u></u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2003

| | <u>Governmental Activity</u> <u>Internal Service Fund</u> |
|--|--|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Interfund Services Provided | \$2,297,833 |
| Cash Payments for Goods and Services | (340,160) |
| Cash Payments for Claims | (1,706,802) |
| Other Cash Payments | <u>(818)</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u>250,053</u> |
| Cash Flows from Investing Activities | |
| Interest | <u>535</u> |
| <i>Net Cash Provided by Investing Activities</i> | <u>535</u> |
| <i>Net Increase in Cash and Cash Equivalents</i> | 250,588 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>2,165,377</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$2,415,965</u></u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income | \$730,912 |
| Decrease in Liabilities: | |
| Claims Payable | <u>(480,859)</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u><u>\$250,053</u></u> |
| See accompanying notes to the basic financial statements | |

Steubenville City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

| | Private Purpose Trust Funds | Agency |
|--|--------------------------------|----------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$278,715 | \$28,226 |
| Investments | 53,799 | 0 |
| <i>Total Assets</i> | 332,514 | \$28,226 |
| Liabilities | | |
| Due to Students | 0 | \$28,226 |
| <i>Total Liabilities</i> | 0 | \$28,226 |
| Net Assets | | |
| Held in Trust for Scholarships | 332,514 | |
| <i>Total Net Assets</i> | \$332,514 | |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

| | Private Purpose Trust Funds |
|-------------------------------------|--------------------------------|
| Additions | |
| Contributions and Donations | \$28,700 |
| Interest | 7,808 |
| Total Additions | 36,508 |
| Deductions | |
| Scholarships Awarded | 53,489 |
| <i>Net Change in Fund Balance</i> | (16,981) |
| <i>Net Assets Beginning of Year</i> | 349,495 |
| <i>Net Assets End of Year</i> | \$332,514 |

See accompanying notes to the basic financial statements

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Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Steubenville City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1838. The School District serves an area of approximately 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 89 non-certificated employees, 185 certificated full-time teaching personnel, and 17 administrative employees who provide services to 2,557 students and other community members. The School District currently operates 6 elementary schools, 1 middle school and 1 high school for instruction, and 1 administrative building.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Steubenville City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

Parochial Schools: Within the School District boundaries, Holy Rosary, All Saints Consolidated and Catholic Central High School are operated through the Steubenville Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in the Jefferson County Joint Vocational School, the Ohio Mid-Eastern Educational Service Agency, and the Ohio School Boards Association Workers Compensation Group Rating Plan, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Steubenville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, vision, prescription drug and dental claims.

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

C. Measurement Focus

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal 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 School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2003, investments were limited to common stock, repurchase agreements, certificates of deposit, and STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2003. Investments are reported at fair value, which is based on quoted market prices. Repurchase agreements and certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$158,539, which includes \$37,821, assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in governmental funds include unexpended revenues restricted for the purchase of buses, amounts required by State statute to be set-aside for budget stabilization, and amounts to be used for the payment of retainage. See Note 19 for additional information regarding set-asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

The only capital assets of the School District are general capital assets. 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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

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

| Description | Estimated Lives |
|----------------------------|-----------------|
| Land | N/A |
| Land Improvements | 20 Years |
| Buildings and Improvements | 40 Years |
| Machinery and Equipment | 10 Years |
| Furniture and Fixtures | 5 Years |
| Vehicles | 5-8 Years |

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the School District's termination policy.

L. Accrued Liabilities and Long-Term Obligations

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

M. Bond Discounts, Premiums, and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs, bond premiums and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond discounts are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Interfund Activity

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

O. Fund Balance Reserves/Designations

The School 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, property taxes, budget stabilization, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for bus purchases is for state funds required to be utilized for the purchase of school buses.

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the Board's plans, although they may be subject to change. Designations are reported as part of unreserved fund balance. The School District reports a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to expenditures for specified purposes.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

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.

S. Estimates

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

T. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer is given the authority to further allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

Changes in Accounting Principles For the year ended June 30, 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB No. 38, “Certain Financial Statement Note Disclosures,” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.” At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 34 creates new basic financial statements for reporting the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures. At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This statement had no effect on the budgetary statements of the School District for fiscal year 2003.

Restatement of Fund Balances The fund classification was updated during fiscal year 2003 to reclassify the food service fund, previously reported as an enterprise fund, as a special revenue fund. This reclassification, the implementation of Interpretation No. 6 and a change in Board policy increasing the capitalization threshold of capital assets from \$500 to \$5,000 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

| | General | Debt Service | Nonmajor Funds | Total |
|---|--------------------|--------------------|--------------------|---------------------|
| Fund Balances, June 30, 2002 | \$6,857,999 | \$1,333,966 | \$2,902,374 | \$11,094,339 |
| Fund Reclassification: | | | | |
| Food Service | 0 | 0 | 268,855 | 268,855 |
| Interpretation 6: | | | | |
| Compensated Absences | 41,815 | 0 | 981 | 42,796 |
| Restated Fund Balances, June 30, 2002 | <u>\$6,899,814</u> | <u>\$1,333,966</u> | <u>\$3,172,210</u> | <u>\$11,405,990</u> |
| GASB 34 Adjustments: | | | | |
| Capital Assets | | | | 20,675,320 |
| Internal Service Fund | | | | 1,410,079 |
| Vacation Benefits Payable | | | | (35,576) |
| Compensated Absences | | | | (1,510,494) |
| Long-Term Liabilities | | | | (11,383,586) |
| Accrued Interest Payable | | | | (41,019) |
| Intergovernmental Payable | | | | (100,113) |
| Deferred Revenue - Delinquent Taxes and Accrued Interest Receivable | | | | 1,500,670 |
| Governmental Activities Net Assets, June 30, 2002 | | | | <u>\$21,921,271</u> |

The transition from proprietary fund equity to net assets of the business type activities is as follows:

| | <u>Food Service</u> |
|--|---------------------|
| Fund Equity, June 30, 2002 | \$617,234 |
| Fund Reclassification, including the elimination of capital assets and long-term obligations | <u>(617,234)</u> |
| Business Type Activities, June 30, 2002 | <u>\$0</u> |

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability:

At June 30, 2003, the School Facilities Capital Projects Fund had a deficit fund balance of \$15,897.

The School Facilities Capital Projects Fund deficit fund balance was created by the application of generally accepted accounting principles. This fund receives transfers from the General Fund when cash is needed rather than when accruals occur.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance

| | General |
|----------------------|-------------|
| GAAP Basis | (\$254,236) |
| Revenue Accruals | 344,955 |
| Expenditure Accruals | 134,040 |
| Advances Out | (75,000) |
| Encumbrances | (467,333) |
| Budget Basis | (\$317,574) |

NOTE 6 - CASH AND CASH EQUIVALENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits were \$2,987,224 and the bank balance was \$4,019,935. Of the bank balance:

- A. \$200,000 was covered by federal depository insurance; and
- B. \$3,819,935 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| | <u>Category 2</u> | <u>Category 3</u> | <u>Unclassified</u> | <u>Carrying and Fair Value</u> |
|-----------------------|-------------------|--------------------|---------------------|--------------------------------|
| Common Stock | \$53,799 | \$0 | \$0 | \$53,799 |
| Repurchase Agreements | 0 | 4,169,825 | 0 | 4,169,825 |
| STAR Ohio | 0 | 0 | 6,858,546 | 6,858,546 |
| Total | <u>\$53,799</u> | <u>\$4,169,825</u> | <u>\$6,858,546</u> | <u>\$11,082,170</u> |

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | <u>Cash and Cash Equivalents/Deposits</u> | <u>Investments</u> |
|-----------------------|---|---------------------|
| GASB Statement 9 | \$14,015,595 | \$53,799 |
| Investments: | | |
| Repurchase Agreements | (4,169,825) | 4,169,825 |
| STAR Ohio | (6,858,546) | 6,858,546 |
| GASB Statement 3 | <u>\$2,987,224</u> | <u>\$11,082,170</u> |

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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 School District prior to June 30.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$621,888 in the general fund, \$185,883 in the debt service fund, and \$13,872 in the classroom facilities special revenue fund. The amount available as an advance at June 30, 2002, was \$1,111,981 in the general fund, \$360,752 in the debt service fund, and \$25,052 in the classroom facilities special revenue fund.

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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The assessed values upon which the fiscal year 2003 taxes were collected are:

| | 2002 Second Half Collections | | 2003 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential And Other Real Estate | \$136,165,860 | 79.40% | \$136,788,650 | 80.80% |
| Public Utility Personal | 11,330,500 | 6.60% | 11,299,690 | 6.67% |
| Tangible Personal | 24,009,109 | 14.00% | 21,207,726 | 12.53% |
| | <u>\$171,505,469</u> | <u>100.00%</u> | <u>\$169,296,066</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of assessed valuation | | \$36.45 | | \$36.45 |

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes and accounts. 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 intergovernmental receivables follows:

| | <u>Amounts</u> |
|--------------------------------|------------------|
| Governmental Activities | |
| Preschool/Afterschool Programs | \$11,315 |
| Part B - IDEA | 23,017 |
| Title I | 132,195 |
| Drug Free Schools Grant | 9,538 |
| Title II-A | 79,273 |
| Food Service Subsidy | 65,559 |
| Federal Emergency Repair Grant | 122,057 |
| Total | <u>\$442,954</u> |

NOTE 9 – INTERNAL BALANCES

Interfund balances at June 30, 2003 consist of the following individual interfund receivables and payables:

| <u>Interfund Payable</u> | <u>Interfund Receivable</u> |
|--------------------------------|-----------------------------|
| | <u>General - Major Fund</u> |
| Other Nonmajor Governmental | <u>\$75,000</u> |

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The interfund receivables/payables are due to grant monies not being reimbursed to the School District as of June 30, 2003 of which they were entitled to. These amounts were temporarily transferred from the General Fund to the appropriate grant funds.

Interfund transfers for the year ended June 30, 2003 consisted of the following:

| <u>Transfer from</u> | Transfer to | | |
|----------------------|------------------------------|-----------------------------------|-----------|
| | Debt Service - Major Fund | Other Nonmajor Governmental | Total |
| General Fund | \$120,027 | \$850,000 | \$970,027 |

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; to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and move unrestricted revenues collected in the General Fund to finance various future building projects accounted for in other funds in accordance with budgetary authorizations.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, was as follows:

| | Balance 6/30/02 | Additions | Deletions | Balance 6/30/03 |
|---------------------------------------|--------------------|-----------|-----------|--------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$5,594,000 | \$20,000 | \$0 | \$5,614,000 |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 1,585,597 | 0 | | 1,585,597 |
| Buildings and Improvements | 19,099,164 | 1,440,184 | 0 | 20,539,348 |
| Furniture and Equipment | 979,675 | 188,934 | 0 | 1,168,609 |
| Vehicles | 1,012,765 | 62,356 | 124,600 | 950,521 |
| Total Depreciable Capital Assets | 22,677,201 | 1,691,474 | 124,600 | 24,244,075 |
| Accumulated Depreciation: | | | | |
| Land Improvements | (694,248) | (73,517) | 0 | (767,765) |
| Buildings and Improvements | (5,709,699) | (532,489) | 0 | (6,242,188) |
| Furniture and Equipment | (417,479) | (79,458) | 0 | (496,937) |
| Vehicles | (774,455) | (52,927) | (124,600) | (702,782) |
| Total Accumulated Depreciation | (7,595,881) | (738,391) | (124,600) | (8,209,672) |
| Total Depreciable Capital Assets, Net | 15,081,320 | 953,083 | 0 | 16,034,403 |
| Governmental Capital Assets, Net | \$20,675,320 | \$973,083 | \$0 | \$21,648,403 |

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

*Depreciation expense was charged to governmental activities as follows:

| | |
|------------------------------------|-------------------------|
| Instruction: | |
| Regular | \$352,940 |
| Special | 58,574 |
| Vocational | 37,274 |
| Support Services: | |
| Pupil | 16,642 |
| Instructional Staff | 56,841 |
| Board of Education | 424 |
| Administration | 77,170 |
| Fiscal | 5,325 |
| Operation of Maintenance and Plant | 27,970 |
| Pupil Transportation | 52,927 |
| Central | 1,199 |
| Extracurricular | 41,789 |
| Food Service Operations | 9,316 |
| Total Depreciation Expense | <u><u>\$738,391</u></u> |

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracts with McBane Insurance Agency for general liability, errors and omissions, property, and fleet insurance. The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$2,500 deductible with total coverage of \$48,978,000. The fleet coverage has limits of liability of \$1,000,000 for each accident and \$2,000 medical payments for each accident.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year. The School District pays the State a rate per \$100 of salaries for workers' compensation.

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with Medical Mutual of Ohio to provide third-party administration services of the self insurance plan. Employees have a choice to participate in a traditional plan or a preferred provider plan. The Board pays 100 percent of the premiums which are \$1,157.19 per family and \$428.21 for single for the traditional plan, or \$1012.28 per family and \$374.56 for single for the preferred provider plan. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$274,439 reported in the internal service fund at June 30, 2003 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Changes in claims activity for the past two fiscal years are as follows:

| | <u>Balance at</u> <u>Beginning of Year</u> | <u>Current Year</u> <u>Claims</u> | <u>Claim</u> <u>Payments</u> | <u>Balance at End</u> <u>of Year</u> |
|------|---|--------------------------------------|---------------------------------|---|
| 2002 | \$409,819 | \$1,959,519 | \$1,614,040 | \$755,298 |
| 2003 | 755,298 | 1,225,943 | 1,706,802 | 274,439 |

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School 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 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$162,558, \$60,040 and \$48,697 respectively; 57.67 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and

Stuebenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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 School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,202,345, \$845,148, and \$849,777 respectively; 83.81 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$4,817 made by the plan members. The School District did not make any contributions to the DC or the Combined Plans during fiscal year 2003.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$400,333 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$164,131.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for all employees.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Cigna in the amount of \$25,000 per employee.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures. During fiscal year 2003, the School District entered into a lease for fitness equipment to be used for educational purposes.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$169,852, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$153,011. Principal payments in fiscal year 2003 totaled \$41,665 in the governmental funds.

Future minimum lease payments through 2007 are as follows:

| Fiscal Year Ending June 30, 2003 | Principal | Interest | Total |
|-------------------------------------|------------------|----------------|------------------|
| 2004 | \$54,044 | \$4,991 | \$59,035 |
| 2005 | 56,637 | 2,395 | 59,032 |
| 2006 | 17,013 | 313 | 17,326 |
| 2007 | 844 | 848 | 1,692 |
| Total | <u>\$128,538</u> | <u>\$8,547</u> | <u>\$137,085</u> |

NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

| | Principal | | | Principal | Amounts |
|---|---------------------|------------------|--------------------|---------------------|------------------|
| | Outstanding | | | Outstanding | Due In |
| | 6/30/02 | Additions | Deductions | 6/30/03 | One Year |
| 1993 High School Addition and Improvements, Series A | | | | | |
| Serial Bonds, \$951,384 @ 5.95% | \$765,000 | \$0 | \$30,000 | \$735,000 | \$30,000 |
| 1998 Refunding Bonds, \$10,515,000 | | | | | |
| Serial/Term Bonds, \$8,130,000 @ 3.5%-5.25% | 6,385,000 | 0 | 490,000 | 5,895,000 | 500,000 |
| Capital Appreciation Bonds, \$512,935 @ 4.4%-4.55% | 512,935 | 0 | 0 | 512,935 | 0 |
| Accretion of Interest, \$1,872,065 @ 13.70-13.75% | 254,306 | 196,617 | 0 | 450,923 | 0 |
| 2000 School Facilities Bonds, \$3,640,000 | | | | | |
| Serial/Term Bonds, \$2,960,000 @ 4.4%-5.6% | 2,865,000 | 0 | 110,000 | 2,755,000 | 115,000 |
| Capital Appreciation Bonds, \$285,000 @ 5.25%-5.5% | 285,000 | 0 | 0 | 285,000 | 0 |
| Accretion of Interest, \$395,000 @ 7.022%-7.185% | 33,158 | 22,921 | 0 | 56,079 | 0 |
| Energy Conservation Loans, \$910,778 @ 5.0% and 5.3% | 268,771 | 0 | 108,620 | 160,151 | 106,841 |
| Total Bonds and Loans | 11,369,170 | 219,538 | 738,620 | 10,850,088 | 751,841 |
| Capital Leases | 14,416 | 155,787 | 41,665 | 128,538 | 54,044 |
| Compensated Absences | 1,510,494 | 616,494 | 604,599 | 1,522,389 | 57,789 |
| Total General Long-Term Obligations | \$12,894,080 | \$991,819 | \$1,384,884 | \$12,501,015 | \$863,674 |

Capital leases will be paid from the General Fund. Compensated absences will be paid from the general, food service, miscellaneous state grants, preschool/afterschool programs, disadvantaged pupils impact aid, title I, and the miscellaneous federal grants funds.

1993 Steubenville High School Addition and Improvement General Obligation Bonds – On January 1, 1993, the Steubenville City School District issued \$951,384 in Series A voted general obligation bonds, and \$9,698,616 in Series B voted general obligation bonds for the purpose of an addition and improvements to the high school building. The bonds were issued for a twenty-five year period with final maturity at December 1, 2017. The Series B bonds were refunded in 1998, while the Series A bonds remain outstanding.

On September 30, 1998, the School District issued \$10,515,000 in general obligation bonds. The bonds refunded \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2022. Principal outstanding at June 30, 2003 amounted to \$6,858,858 including current year accretion of \$196,617. \$9,653,900 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1993 Series B School Improvement Bonds. As of June 30, 2003, \$8,068,616 of these bonds are considered defeased.

The 1998 bond issue consists of serial, term, and capital appreciation bonds. The term bonds that mature in the year 2016 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2016 and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

| Date | Principal Amount to be Redeemed |
|------|------------------------------------|
| 2013 | \$600,000 |
| 2014 | 625,000 |
| 2015 | 660,000 |
| 2016 | 695,000 |
| 2017 | 655,000 |
| | \$3,235,000 |

The remaining principal amount of such Current Interest Bonds (\$655,000) will mature at stated maturity on December 1, 2016.

The capital appreciation bonds for the 1998 issue mature December 1, 2008 through December 1, 2011. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,385,000. For fiscal year 2003, \$196,617 was accreted for a total bond liability of \$963,858.

On November 1, 2000, the School District issued \$3,640,000 in voted general obligation bonds which included capital appreciation bonds (deep discount bonds) to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. Principal outstanding at June 30, 2003 amounted to \$3,096,079 including current year accretion of \$22,921.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building.

The 2000 bond issue consists of serial, term, and capital appreciation bonds. The term bonds that mature December 1, 2015 through December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015 through December 1, 2022 as follows:

| Date | Principal Amount to be Redeemed |
|------|------------------------------------|
| 2015 | \$170,000 |
| 2016 | 180,000 |
| 2017 | 190,000 |
| 2018 | 200,000 |
| 2019 | 210,000 |
| 2020 | 220,000 |
| 2021 | 235,000 |
| 2022 | 250,000 |
| | \$1,655,000 |

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The capital appreciation bonds for the 2000 issue mature December 1, 2011 through December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$680,000. For fiscal year 2003, \$22,921 was accreted for a total bond liability of \$341,079.

Energy Conservation Loan – On May 26, 1994 Steubenville City School District issued \$620,119 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2004. The loan will be retired from the debt service fund.

On January 24, 1996, Steubenville City School District issued \$290,659 unvoted general obligation notes for the purpose of providing additional energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2006. The loan will be retired from the debt service fund.

Annual requirements to retire general obligation debt, including loans outstanding at June 30, 2003 are as follows:

Principal and interest requirements to retire the 1993 High School Addition and Improvements 5.95% Series A Bonds outstanding at June 30, 2002 are as follows:

| Fiscal Year Ending June 30, 2003 | Principal | Interest | Total |
|-------------------------------------|------------------|------------------|--------------------|
| 2004 | \$30,000 | \$45,056 | \$75,056 |
| 2005 | 30,000 | 43,144 | 73,144 |
| 2006 | 35,000 | 41,094 | 76,094 |
| 2007 | 35,000 | 38,906 | 73,906 |
| 2008 | 40,000 | 36,562 | 76,562 |
| 2009-2013 | 235,000 | 142,031 | 377,031 |
| 2014-2018 | 330,000 | 54,065 | 384,065 |
| Total | <u>\$735,000</u> | <u>\$400,858</u> | <u>\$1,135,858</u> |

Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2003, including accreted interest of \$2,385,000 are as follows:

Stebenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

| Fiscal Year Ending June 30, 2003 | Principal | Interest | Total |
|-------------------------------------|---------------------------|---------------------------|----------------------------|
| 2004 | \$500,000 | \$268,230 | \$768,230 |
| 2005 | 500,000 | 248,480 | 748,480 |
| 2006 | 535,000 | 227,646 | 762,646 |
| 2007 | 550,000 | 205,400 | 755,400 |
| 2008 | 575,000 | 181,913 | 756,913 |
| 2009-2013 | 1,112,935 | 2,705,505 | 3,818,440 |
| 2014-2017 | <u>2,635,000</u> | <u>279,959</u> | <u>2,914,959</u> |
| Total | <u><u>\$6,407,935</u></u> | <u><u>\$4,117,133</u></u> | <u><u>\$10,525,068</u></u> |

Principal and interest requirements to retire the 2000 Classroom Facilities Variable Interest Bonds outstanding at June 30, 2003, including accreted interest of \$685,000 are as follows:

| Fiscal Year Ending June 30, 2003 | Principal | Interest | Total |
|-------------------------------------|---------------------------|---------------------------|---------------------------|
| 2004 | \$115,000 | \$141,883 | \$256,883 |
| 2005 | 120,000 | 136,566 | 256,566 |
| 2006 | 130,000 | 130,846 | 260,846 |
| 2007 | 135,000 | 124,717 | 259,717 |
| 2008 | 140,000 | 118,288 | 258,288 |
| 2009-2013 | 611,550 | 686,207 | 1,297,757 |
| 2014-2018 | 673,450 | 625,710 | 1,299,160 |
| 2019-2023 | <u>1,115,000</u> | <u>163,100</u> | <u>1,278,100</u> |
| Total | <u><u>\$3,040,000</u></u> | <u><u>\$2,127,317</u></u> | <u><u>\$5,167,317</u></u> |

Principal and interest requirements to retire the Energy Conservation Loans outstanding at June 30, 2003 are as follows:

| Fiscal Year Ending June 30, 2003 | Principal | Interest | Total |
|-------------------------------------|-------------------------|------------------------|-------------------------|
| 2004 | \$106,841 | \$7,919 | \$114,760 |
| 2005 | 35,217 | 2,187 | 37,404 |
| 2006 | <u>18,093</u> | <u>380</u> | <u>18,473</u> |
| Total | <u><u>\$160,151</u></u> | <u><u>\$10,486</u></u> | <u><u>\$170,637</u></u> |

The School District's overall legal debt margin was \$15,236,646, with an unvoted debt margin of \$169,296, at June 30, 2003.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Jefferson Co. Joint Vocational Sch. – The Jefferson Co. Joint Vocational Sch. is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2003, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2003, the total amount paid to OME-RESA from the School District was \$39,235. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Dick Gummere, who serves as Interim Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

NOTE 18 – INSURANCE PURCHASING POOL

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district’s budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District’s general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers’ Compensation monies remaining in the budget reserve.

In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2003, only the unspent portion of certain workers’ compensation refunds continues to be set aside.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

| | <u>Textbooks</u> | <u>Capital Improvements</u> | <u>Budget Stabilization</u> |
|---|--------------------|---------------------------------|---------------------------------|
| Set-aside Reserve Balance as of June 30, 2002 | \$56,911 | \$0 | \$85,496 |
| Current Year Set-aside Requirement | 280,885 | 280,885 | 0 |
| Current Year Offsets | 0 | (81,813) | 0 |
| Qualifying Transfers | 0 | (850,000) | 0 |
| Qualifying Disbursements | <u>(552,084)</u> | <u>(2,241,746)</u> | <u>0</u> |
| Totals | <u>(\$214,288)</u> | <u>(\$2,892,674)</u> | <u>\$85,496</u> |
| Allowable Carry Forward for Fiscal Year 2003 | 0 | (1,978,588) | 0 |
| Allowable Carry Forward at June 30, 2002 | 0 | (1,557,523) | |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>(\$214,288)</u> | <u>(\$3,536,111)</u> | <u>\$0</u> |
| Set-aside Reserve Balance as of June 30, 2003 | <u>\$0</u> | <u>\$0</u> | <u>\$85,496</u> |

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The District also had current year and prior year capital expenditures in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

NOTE 20 – CONTINGENCIES/SUBSEQUENT EVENTS

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is currently party to legal proceedings. The School District management is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 21 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|---|------------------------------------|----------------------|------------------------------|----------------------|-----------------------------------|
| U.S. Department of Agriculture | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution Program | 03-PU-02 | 10.550 | | \$22,358 | | \$22,358 |
| National School Breakfast | 02-PU-02 | 10.553 | \$98,965 | | \$98,965 | |
| National School Lunch Program | 04-PU-02 | 10.555 | 345,684 | | 345,684 | |
| Childcare Food Program | 05-PU-02 | 10.558 | 7,673 | | 7,673 | |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | <u>452,322</u> | <u>22,358</u> | <u>452,322</u> | <u>22,358</u> |
| U.S. Department of Education | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Impact Aid | | 13.478 | 12,445 | | | |
| Adult Basic Education | FY 02 | 84.002 | 3,574 | | 10,519 | |
| Grants to Local Educational Agencies (ESEA Title I) | C1-S1-02 C1-S1-03 | 84.010 | 224,493 1,138,077 | | 318,969 1,030,875 | |
| Total Grants to Local Education Agencies | | | <u>1,362,570</u> | | <u>1,349,844</u> | |
| Special Education Cluster: | | | | | | |
| Special Education Grants to States (IDEA Part B) | MS-S1-02 MS-S1-03 | 84.027 | 29,519 346,941 | | 88,708 292,428 | |
| Special Education - Preschool Grant | PG-02 PG-03 | 84.173 | 2,949 42,889 | | 15,280 39,215 | |
| Total Special Education Cluster | | | <u>422,298</u> | | <u>435,631</u> | |
| Even Start Program | ES-S1-02 | 84.213 | 11,656 73,859 | | 35,584 62,602 | |
| Total Even Start Program | | | <u>85,515</u> | | <u>98,186</u> | |
| Innovative Education Program Strategies | C2-S1-02 C2-S1-03 | 84.298 | | | 5,735 24,194 | |
| Total Innovative Education Program | | | <u>24,228</u> | | <u>29,929</u> | |
| Improving Teacher Quality Program | FY 02 | 84.367 | 176,448 | | 199,477 | |
| Safe and Drug Free School Program | DR-S1-02 DR-S1-03 | 84.186 | | | 4697 22,307 | |
| Total Safe and Drug Free Schools | | | <u>16,842</u> | | <u>27,004</u> | |
| Fund for the Improvement of Education | FY 02 FY 03 | 84.215K | 29,020 40,000 | | 29,020 40,000 | |
| Total Fund for Improvement of Education | | | <u>69,020</u> | | <u>69,020</u> | |
| Eisenhower Professional Development Grant | C2-S1-03 | 84.281 | | | 13,652 | |
| 21st Century Grant | FY 02 | 84.287B | 202,836 | | 202,421 | |
| Technology Title II | FY03 | 84.318 | 34,570 | | 29,870 | |
| Emergency Repair Grant | FY 03 | 83.352 | 53,310 | | 5,000 | |
| School Renovations, Idea & Assistance Technology | FY 03 | 83.352A | 1,865 | | 1,865 | |
| Total Department of Education | | | <u>\$2,465,521</u> | <u>\$22,358</u> | <u>\$2,472,418</u> | |
| U.S. Department of Health and Human Services | | | | | | |
| <i>Passed through the Ohio Department of Mental Retardation Mental Reatardation and Development</i> | | | | | | |
| Community Alternative Funding | FY 03 | 93.778 | 18,973 | | 18,973 | |
| Total Department of Health & Human Services | | | <u>18,973</u> | | <u>18,973</u> | |
| Total Federal Awards | | | <u>\$2,936,816</u> | <u>\$22,358</u> | <u>\$2,943,713</u> | <u>\$22,358</u> |

The notes to the Federal Schedule of Awards Expenditures are an integral part of this schedule.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the Schedule) summarizes activity of the District's Federal Award Programs. The Schedule has been prepared using the cash basis of accounting.

2. Food Distribution

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003 the District had no significant food commodities.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Steubenville City School District
Jefferson County
932 North 5th Street
Steubenville, Ohio 43952

To the Board of Education:

We have audited the accompanying financial statements of Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 30, 2004, which includes a reference to the implementation of a new reporting model, as required by the provisions of Governmental Accounting Standards Board, Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*.. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that did not require inclusion in this report that we have reported to management of the District in a separate letter dated January 30, 2004.

Steubenville City School District
Jefferson County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 30, 2004



Auditor of State Betty Montgomery

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

Steubenville City School District
Jefferson County
932 North 5th Street
Steubenville, Ohio 43952

To The Board of Education:

Compliance

We have audited the compliance of Steubenville City School District, Jefferson County, (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 are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 State 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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, Steubenville City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of law, 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 30, 2004

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505¹
JUNE 30, 2003**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Nutrition Cluster: 10.550,10.553,10.555,10.558 Special Education Cluster: 84.027,84.173 Improving Teacher Quality 84.367 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

| | |
|-------------|--|
| None | |
|-------------|--|

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|-------------|--|
| None | |
|-------------|--|

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**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

STEUBENVILLE CITY SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 27, 2004**