



Mary Taylor, CPA
Auditor of State

**ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT
BELMONT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

St. Clairsville-Richland City School District
Belmont County
108 Woodrow Ave.
St. Clairsville, Ohio 43950

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 St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Clairsville-Richland City School District, Belmont County, Ohio, as of and for the year ended June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on February 23, 2004 due to the District's declining financial condition. Note 20 to the financial statements describes management's current financial status. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and 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 Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 6, 2008

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The discussion and analysis of St. Clairsville-Richland City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- Net assets increased \$1,716,846.
- General revenues accounted for \$12,450,540 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for \$3,184,628 or 20 percent of total revenues of \$15,635,168.
- Total assets of governmental activities increased by \$1,113,382 primarily due to an increase in equity in pooled cash and cash equivalents and property tax receivable which are slightly offset by annual depreciation expense.
- The School District had \$13,918,322 in expenses related to governmental activities; only \$3,184,628 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,450,540 were adequate to provide for these programs.
- The School District had two major funds, the general fund and the debt service fund. The general fund had \$12,714,096 in revenues and \$11,564,584 in expenditures. Including other financing sources (uses), the general fund's balance increased \$1,054,532. The debt service fund had revenues in the amount of \$990,120 and expenditures in the amount of \$869,235 which resulted in a fund balance increase of \$120,885.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand St. Clairsville-Richland 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 concerns.

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 nonmajor funds presented in total in one column. In the case of St. Clairsville-Richland City School District, the general fund and the debt service fund are the only major or significant funds.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" 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 whether, 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 – The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, debt service 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 multitude 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 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 government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose-trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported in two agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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 2007 compared to 2006.

Table 1			
Net Assets			
Governmental Activities			
	2007	2006	Change
Assets			
Current and Other Assets	\$12,909,223	\$11,426,387	\$1,482,836
Capital Assets	8,784,801	9,154,255	(369,454)
Total Assets	21,694,024	20,580,642	1,113,382
Liabilities			
Long-Term Liabilities	6,370,683	6,935,141	(564,458)
Other Liabilities	8,695,610	8,734,616	(39,006)
Total Liabilities	15,066,293	15,669,757	(603,464)
Net Assets			
Invested in Capital Assets Net of Debt	3,534,520	3,257,753	276,767
Restricted	1,284,922	933,455	351,467
Unrestricted	1,808,289	719,677	1,088,612
Total Net Assets	\$6,627,731	\$4,910,885	\$1,716,846

Total assets increased \$1,113,382, primarily due to an increase in equity in pooled cash and cash equivalents, which is slightly offset by annual depreciation expense. Long-term liabilities decreased due to debt service payments on long-term debt.

Overall net assets of the School District's governmental activities increased by \$1,716,846. This increase was primarily due to the reduction of expenses significantly below revenues. These cost reduction measures, approved by the Board of Education in prior years, were required due to the School District being placed in fiscal caution by the Ohio Department of Education. The School District currently has \$1,808,289 in unrestricted net assets compared to unrestricted net assets of \$719,677 in the prior fiscal year.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 2 shows the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

Table 2
 Changes in Net Assets
 Governmental Activities

	2007	2006	Change
Revenues			
<i>Program Revenue</i>			
Charges for Services	\$1,771,005	\$1,654,759	\$116,246
Operating Grants	1,402,562	1,346,066	56,496
Capital Grants and Contributions	11,061	7,502	3,559
Total Program Revenue	3,184,628	3,008,327	176,301
<i>General Revenue</i>			
Property Taxes	7,560,719	7,090,397	470,322
Grants and Entitlements	4,568,983	4,569,073	(90)
Gifts and Donations	882	0	882
Investments	210,073	126,191	83,882
Other	109,883	153,851	(43,968)
Total General Revenue	12,450,540	11,939,512	511,028
Total Revenues	15,635,168	14,947,839	687,329
Program Expenses			
Instruction:			
Regular	6,324,582	6,022,426	302,156
Special	1,281,162	1,338,260	(57,098)
Vocational	25,241	24,805	436
Support Services:			
Pupil	600,838	511,184	89,654
Instructional Staff	487,080	436,368	50,712
Board of Education	24,183	32,386	(8,203)
Administration	981,981	968,469	13,512
Fiscal	466,058	427,771	38,287
Business	1,045	1,379	(334)
Operation and Maintenance of Plant	1,189,164	963,651	225,513
Pupil Transportation	806,834	768,246	38,588
Central	370,094	385,950	(15,856)
Operation of Non-Instructional Services	151,597	203,488	(51,891)
Food Service Operations	417,623	437,748	(20,125)
Extracurricular Activities	547,964	505,332	42,632
Interest and Fiscal Charges	242,876	254,797	(11,921)
Total Expenses	13,918,322	13,282,260	636,062
Change in Net Assets	1,716,846	1,665,579	51,267
Net Assets Beginning of Year	4,910,885	3,245,306	1,665,579
Net Assets End of Year	\$6,627,731	\$4,910,885	\$1,716,846

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Governmental Activities

Property taxes made up approximately 48 percent of revenues for the School District in fiscal year 2007. This revenue source increased \$470,322 over fiscal year 2006 due to the six year reappraisal that was collected for the second half of fiscal year 2007. Charges for services program revenue increased \$116,246 from the prior year.

Instruction comprises approximately 55 percent of governmental program expenses, and reflected a \$245,494 increase from fiscal year 2006. Overall, program expenses of the School District increased by \$636,062, with the largest increases being reflected in the regular instruction and operation and maintenance of plant. These increases were offset by reductions in special education and the operation of non-instructional services.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2007 compared to fiscal year 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$6,324,582	\$6,022,426	\$4,941,341	\$4,665,695
Special	1,281,162	1,338,260	701,656	802,070
Vocational	25,241	24,805	19,434	18,878
Support Services				
Pupil	600,838	511,184	556,326	469,228
Instructional Staff	487,080	436,368	305,525	296,684
Board of Education	24,183	32,386	24,183	32,386
Administration	981,981	968,469	870,960	849,559
Fiscal	466,058	427,771	466,058	427,686
Business	1,045	1,379	1,045	1,379
Operation and Maintenance of Plant	1,189,164	963,651	1,189,077	955,528
Pupil Transportation	806,834	768,246	787,059	755,451
Central	370,094	385,950	357,613	349,654
Operation of Non-Instructional Services	151,597	203,488	(32,888)	43,522
Food Service Operations	417,623	437,748	(1,847)	48,474
Extracurricular Activities	547,964	505,332	305,276	302,942
Interest and Fiscal Charges	242,876	254,797	242,876	254,797
Total Expenses	<u>\$13,918,322</u>	<u>\$13,282,260</u>	<u>\$10,733,694</u>	<u>\$10,273,933</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 74 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenue support is approximately 77 percent.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. The General Fund had \$12,714,096 in revenues and \$11,564,584 in expenditures, and the Debt Service Fund had \$990,120 in revenues and \$869,235 in expenditures. Overall, including transfers and other financing sources, the General Fund's balance increased \$1,054,532, and the Debt Service Fund's balance increased \$120,885.

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 2007 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budget. The actual results of operations were significantly different than budgeted amounts as taxes, tuition, and fees came in higher than estimates and spending in most categories were lower than budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007 the School District had \$8,784,801 invested in land, buildings, furniture and equipment and vehicles. Table 5 shows fiscal 2007 balances compared to 2006:

Table 4
 Capital Assets Net of Depreciation

	Government Activities	
	2007	2006
Land	\$444,105	\$444,105
Buildings and Improvements	7,300,734	7,567,112
Furniture and Equipment	707,269	780,656
Vehicles	332,693	362,382
Totals	\$8,784,801	\$9,154,255

For more information on capital assets see Note 8 to the basic financial statements.

Debt

At June 30, 2007 the School District had \$5,753,178 outstanding in general obligation bonds and energy conservation loans with \$723,216 due within one year.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 5 summarizes bonds and notes outstanding:

Table 5
Outstanding Debt at Year End

	Government Activities	
	2007	2006
2002 School Improvement and Construction		
General Obligation Bonds		
Serial Bonds	\$4,950,000	\$5,595,000
Capital Appreciation Bonds	119,111	119,111
Bond Premium	234,346	278,267
Bond Discount	(14,603)	(17,342)
Capital Appreciation Bond Accretion of Interest	195,423	141,972
2005 Energy Conservation Loan	268,901	286,571
Total	\$5,753,178	\$6,403,579

See Note 13 for more detailed information on the School District's debt.

Economic Factors

St. Clairsville-Richland City School District has achieved Effective School status as awarded by the Ohio Department of Education for the past school year. The School District is committed to maintaining that status as it faces the challenge of maintaining fiscal solvency. As the preceding information shows, the School District heavily depends on its property taxpayers rather than state funding. Future local tax revenues will be adversely affected by elimination of the tangible personal property tax.

Based on the most recent Board approved five year forecast, the School District will be challenged to maintain financial stability in future years. This forecast projects deficit spending from Fiscal Year 2009 through Fiscal Year 2012, which will eliminate the carryover fund balance of District at the end of Fiscal Year 2007. The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the St. Clairsville-Richland City School District, 108 Woodrow Avenue, St. Clairsville, Ohio 43950.

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St. Clairsville-Richland City School District
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,225,859
Intergovernmental Receivable	426,803
Prepaid Items	35,828
Materials and Supplies Inventory	49,747
Property Taxes Receivable	7,979,833
Cash and Cash Equivalents with Fiscal Agents	118,025
Deferred Charges	73,128
Non-Depreciable Capital Assets	444,105
Depreciable Capital Assets, Net	8,340,696
<i>Total Assets</i>	21,694,024
Liabilities	
Accounts Payable	42,089
Accrued Wages and Benefits Payable	1,127,387
Intergovernmental Payable	374,637
Accrued Interest Payable	15,572
Claims Payable	15,726
Matured Severance Payable	15,961
Retirement Incentive Payable	40,000
Retainage Payable	65,565
Deferred Revenue	6,998,673
Long-Term Liabilities:	
Due Within One Year	813,258
Due In More Than One Year	5,557,425
<i>Total Liabilities</i>	15,066,293
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,534,520
Restricted for:	
Capital Projects	18,076
Debt Service	635,278
Set Asides	145,577
Bus Purchase	13,431
State Programs	110,980
Federal Programs	225,533
Other Purposes	136,047
Unrestricted	1,808,289
<i>Total Net Assets</i>	\$6,627,731

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$6,324,582	\$1,209,786	\$173,455	\$0	(\$4,941,341)
Special	1,281,162	122,475	457,031	0	(701,656)
Vocational	25,241	0	5,807	0	(19,434)
Support Services:					
Pupil	600,838	0	44,512	0	(556,326)
Instructional Staff	487,080	0	181,555	0	(305,525)
Board of Education	24,183	0	0	0	(24,183)
Administration	981,981	40,344	70,677	0	(870,960)
Fiscal	466,058	0	0	0	(466,058)
Business	1,045	0	0	0	(1,045)
Operation and Maintenance of Plant	1,189,164	0	87	0	(1,189,077)
Pupil Transportation	806,834	0	8,714	11,061	(787,059)
Central	370,094	0	12,481	0	(357,613)
Operation of Non-Instructional Services	151,597	1,100	183,385	0	32,888
Food Service Operations	417,623	163,732	255,738	0	1,847
Extracurricular Activities	547,964	233,568	9,120	0	(305,276)
Interest and Fiscal Charges	242,876	0	0	0	(242,876)
<i>Total Governmental Activities</i>	<u>\$13,918,322</u>	<u>\$1,771,005</u>	<u>\$1,402,562</u>	<u>\$11,061</u>	<u>(10,733,694)</u>
General Revenues					
Property Taxes Levied for General Purposes					6,679,096
Property Taxes Levied for Debt Service					881,623
Grants and Entitlements not Restricted to Specific Programs					4,568,983
Gifts and Donations					882
Investment Earnings					210,073
Miscellaneous					109,883
<i>Total General Revenues</i>					<u>12,450,540</u>
Change in Net Assets					1,716,846
<i>Net Assets Beginning of Year</i>					<u>4,910,885</u>
<i>Net Assets End of Year</i>					<u>\$6,627,731</u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,794,573	\$775,063	\$420,650	\$3,990,286
Cash and Cash Equivalents with Fiscal Agents	118,025	0	0	118,025
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	170,008	0	65,565	235,573
Receivables:				
Property Taxes	7,069,847	909,986	0	7,979,833
Intergovernmental	122,000	0	304,803	426,803
Interfund	19,636	0	0	19,636
Prepaid Items	35,828	0	0	35,828
Materials and Supplies Inventory	46,584	0	3,163	49,747
<i>Total Assets</i>	<u>\$10,376,501</u>	<u>\$1,685,049</u>	<u>\$794,181</u>	<u>\$12,855,731</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$33,191	\$0	\$8,898	\$42,089
Accrued Wages and Benefits	1,024,264	0	103,123	1,127,387
Claims Payable	15,726	0	0	15,726
Matured Severance Payable	15,961	0	0	15,961
Retirement Incentive Payable	10,000	0	30,000	40,000
Interfund Payable	0	0	19,636	19,636
Intergovernmental Payable	341,651	0	32,986	374,637
Retainage Payable	0	0	65,565	65,565
Deferred Revenue	6,722,590	846,460	165,571	7,734,621
<i>Total Liabilities</i>	<u>8,163,383</u>	<u>846,460</u>	<u>425,779</u>	<u>9,435,622</u>
Fund Balances				
Reserved for Encumbrances	262,795	0	158,996	421,791
Reserved for Property Taxes	469,257	63,526	0	532,783
Reserved for Textbook and Instructional Materials	145,577	0	0	145,577
Reserved for Bus Purchases	13,431	0	0	13,431
Reserved for Underground Storage Tank	11,000	0	0	11,000
Unreserved, Undesignated, Reported in:				
General Fund	1,311,058	0	0	1,311,058
Special Revenue Funds	0	0	138,479	138,479
Debt Service Fund	0	775,063	0	775,063
Capital Projects Funds	0	0	70,927	70,927
<i>Total Fund Balances</i>	<u>2,213,118</u>	<u>838,589</u>	<u>368,402</u>	<u>3,420,109</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,376,501</u>	<u>\$1,685,049</u>	<u>\$794,181</u>	<u>\$12,855,731</u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Fund Balances \$3,420,109

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

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 8,784,801

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds:

Grants	165,571	
Property Taxes	448,377	
Tuition and Fees	122,000	
Total		735,948

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and, therefore, are
not reported in the funds. 73,128

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

General Obligation Serial Bonds	4,950,000	
General Obligation Capital Appreciation Bonds	119,111	
Bond Premium	234,346	
Bond Discount	(14,603)	
Capital Appreciation Bond Accretion	195,423	
Compensated Absences	617,505	
Energy Conservation Loan	268,901	
Accrued Interest Payable	15,572	
Total		(6,386,255)

Net Assets of Governmental Activities \$6,627,731

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,656,226	\$882,901	\$0	\$7,539,127
Intergovernmental	4,561,914	73,221	1,249,644	5,884,779
Interest	169,635	33,998	6,440	210,073
Tuition and Fees	1,066,882	0	0	1,066,882
Extracurricular Activities	0	0	278,907	278,907
Rent	0	0	1,100	1,100
Gifts and Donations	882	0	35,275	36,157
Charges for Services	208,379	0	163,732	372,111
Miscellaneous	50,178	0	59,705	109,883
<i>Total Revenues</i>	<u>12,714,096</u>	<u>990,120</u>	<u>1,794,803</u>	<u>15,499,019</u>
Expenditures				
Current:				
Instruction:				
Regular	5,965,258	0	141,148	6,106,406
Special	892,176	0	367,317	1,259,493
Vocational	7,835	0	0	7,835
Support Services:				
Pupil	543,237	0	40,345	583,582
Instructional Staff	302,194	0	160,653	462,847
Board of Education	21,490	0	0	21,490
Administration	852,955	0	91,759	944,714
Fiscal	439,803	17,937	0	457,740
Business	1,045	0	0	1,045
Operation and Maintenance of Plant	1,147,591	0	0	1,147,591
Pupil Transportation	772,777	0	7,898	780,675
Central	354,558	0	10,537	365,095
Operation of Non-Instructional Services	0	0	151,597	151,597
Food Service Operations	0	0	396,703	396,703
Extracurricular Activities	234,332	0	304,123	538,455
Capital Outlay	0	0	181	181
Debt Service:				
Principal Retirement	17,670	645,000	0	662,670
Interest and Fiscal Charges	11,663	206,298	0	217,961
<i>Total Expenditures</i>	<u>11,564,584</u>	<u>869,235</u>	<u>1,672,261</u>	<u>14,106,080</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,149,512</u>	<u>120,885</u>	<u>122,542</u>	<u>1,392,939</u>
Other Financing Sources (Uses)				
Transfers In	0	0	100,380	100,380
Sale of Assets	5,400	0	0	5,400
Transfers Out	(100,380)	0	0	(100,380)
Total Other Financing Sources (Uses)	<u>(94,980)</u>	<u>0</u>	<u>100,380</u>	<u>5,400</u>
<i>Net Change in Fund Balances</i>	1,054,532	120,885	222,922	1,398,339
<i>Fund Balances Beginning of Year</i>	<u>1,158,586</u>	<u>717,704</u>	<u>145,480</u>	<u>2,021,770</u>
<i>Fund Balances End of Year</i>	<u>\$2,213,118</u>	<u>\$838,589</u>	<u>\$368,402</u>	<u>\$3,420,109</u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland 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, 2007*

Net Change in Fund Balances - Total Governmental Funds		\$1,398,339
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Assets Additions	75,402	
Depreciation	<u>(430,344)</u>	
Total		(354,942)
Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities		
		(14,512)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Grants	57,557	
Tuition and Fees	57,000	
Property Taxes	<u>21,592</u>	
Total		136,149
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	645,000	
Energy Conservation Loan	<u>17,670</u>	
Total		662,670
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and discounts are reported on the statement of activities.		
Accrued Interest	1,064	
Accretion on Capital Appreciation Bonds	(53,451)	
Discount	(2,739)	
Premium	<u>43,921</u>	
Total		(11,205)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are amortized on the statement of activities.		
		(13,710)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	<u>(85,943)</u>	
Total		<u>(85,943)</u>
<i>Changes in Net Assets of Governmental Activities</i>		<u><u>\$1,716,846</u></u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland 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, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$6,211,000	\$6,268,000	\$6,560,627	\$292,627
Intergovernmental	4,763,374	4,573,227	4,561,914	(11,313)
Interest	91,700	101,700	169,635	67,935
Tuition and Fees	918,054	878,600	1,066,882	188,282
Contributions and Donations	0	0	882	882
Customer Sales and Service	106,315	230,300	208,379	(21,921)
Miscellaneous	38,532	34,573	50,178	15,605
<i>Total Revenues</i>	<u>12,128,975</u>	<u>12,086,400</u>	<u>12,618,497</u>	<u>532,097</u>
Expenditures				
Current:				
Instruction:				
Regular	6,235,148	6,196,812	6,037,979	158,833
Special	1,024,190	950,734	921,482	29,252
Vocational	14,273	8,260	7,835	425
Support Services:				
Pupils	589,979	567,746	549,933	17,813
Instructional Staff	321,003	319,109	304,985	14,124
Board of Education	21,458	34,511	30,622	3,889
Administration	977,505	929,047	901,073	27,974
Fiscal	467,988	476,030	439,775	36,255
Business	2,595	2,395	1,045	1,350
Operation and Maintenance of Plant	1,269,079	1,264,297	1,212,793	51,504
Pupil Transportation	902,049	880,344	780,053	100,291
Central	427,961	394,191	349,535	44,656
Extracurricular Activities	224,142	241,174	231,405	9,769
Debt Service:				
Principal Retirement	17,670	17,670	17,670	0
Interest and Fiscal Charges	11,663	11,663	11,663	0
<i>Total Expenditures</i>	<u>12,506,703</u>	<u>12,293,983</u>	<u>11,797,848</u>	<u>496,135</u>
Excess of Revenues Over (Under) Expenditures	<u>(377,728)</u>	<u>(207,583)</u>	<u>820,649</u>	<u>1,028,232</u>
Other Financing Sources (Uses)				
Sale of Assets	25	1,800	5,400	3,600
Advances In	0	0	105,052	105,052
Transfers Out	0	(187,724)	(100,380)	87,344
Advances Out	0	0	(19,636)	(19,636)
Total Other Financing Sources (Uses)	<u>25</u>	<u>(185,924)</u>	<u>(9,564)</u>	<u>176,360</u>
<i>Net Change in Fund Balance</i>	<u>(377,703)</u>	<u>(393,507)</u>	<u>811,085</u>	<u>1,204,592</u>
<i>Fund Balance Beginning of Year</i>	<u>1,769,706</u>	<u>1,769,706</u>	<u>1,769,706</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>205,808</u>	<u>205,808</u>	<u>205,808</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,597,811</u></u>	<u><u>\$1,582,007</u></u>	<u><u>\$2,786,599</u></u>	<u><u>\$1,204,592</u></u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,783	\$58,687
<i>Total Assets</i>	10,783	\$58,687
Liabilities		
Undistributed Monies	0	\$27,165
Due to Students	0	31,522
<i>Total Liabilities</i>	0	\$58,687
Net Assets		
Held in Trust for Scholarships	10,783	
<i>Total Net Assets</i>	\$10,783	

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust Fund
Additions	
Contributions and Donations	\$1,000
Interest	539
Total Additions	1,539
Deductions	
Scholarships Awarded	500
<i>Change in Net Assets</i>	1,039
<i>Net Assets Beginning of Year</i>	9,744
<i>Net Assets End of Year</i>	\$10,783

See accompanying notes to the basic financial statements

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St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The first building used as a school house in St. Clairsville was built in 1802. Various buildings were used throughout St. Clairsville until 1868 when a red brick school house was built on the northeast corner of North Market and East Main Street at a cost of \$36,000. It was a 74' x 77' three-story building with a cupola on the top and a sandstone wall around it. It was used until 1916 when it was replaced by the 5/6 building which was located at 106 Woodrow Avenue. In 1871 St. Clairsville High School held its first graduation. Currently, the School District has a high school building, middle school building including a connector facility, elementary building, high school gym, an administration building, a transportation building, and several storage facilities.

The St. Clairsville-Richland City School District is a body politic and corporate established for the purpose of exercising rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by state and federal agencies. The Board controls the School District's five instructional/support facilities staffed by 56 noncertificated, 109 certificated teaching personnel, and 6 certificated administrators who provide services to 1,634 students and other community members.

On February 23, 2004, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the 5 year forecast. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education designed to avoid a potential deficit in fiscal years 2004 and 2005. The proposal was submitted by the School District on April 23, 2004 and accepted by the Ohio Department of Education on May 12, 2004. The School District currently remains in a state of "Fiscal Caution", at the request of the School District. See Note 20 for further details.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure 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 St. Clairsville-Richland City School District, this includes general operations, food service and student related activities of the School District.

Nonpublic Schools Within the School District boundaries, St. Mary's School is operated through the Catholic Diocese, New Covenant Academy is operated through the Friends Church, and Fox Run High School is a privately run non-public high school for troubled children. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the School District on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported as a governmental activity 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. The School District has no component units.

The School District participates in the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECOSERRC), the Coalition of Rural and

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Appalachian Schools (CORAS), and the Belmont-Harrison Vocational School District, which are jointly governed organizations and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan claims servicing pool. The School District is associated with the St. Clairsville Public Library which is defined as a related organization. These organizations are presented in Notes 14, 15, and 16 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The 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 statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at 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. Fiduciary funds are reported by type.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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. The School District uses two categories of funds: governmental 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.

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

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

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program 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.

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

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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. 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.

Nonexchange 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 the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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 year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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".

The School District has cash with a fiscal agent held separate from the School District's central bank account. This account is maintained by the District's self-insurance third party administrator and is presented in the statement of net assets as "cash and cash equivalents with fiscal agents".

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio).

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$169,635, which includes \$46,324 assigned from other School District funds.

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

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 externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent unexpended resources restricted for the purchase of buses, amounts required by State Statute to be set-aside by the School District for the purchase of textbooks and other instructional materials, and for restricted cash related to the underground storage tank. See Note 18 for additional information regarding set-asides. Restricted assets in the other governmental funds are for amounts withheld on construction contracts until the successful completion of the contract.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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 food/commodities held for resale.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

I. Capital Assets

The only capital assets of the School District are general capital assets. These assets result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated 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. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	15-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-10 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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized as a liability on the governmental fund financial statements when due.

M. Bond Premiums, Discounts, 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 premiums and discounts are deferred and amortized over the term of the bonds using the straight-line 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.

Any gain/loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized 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

The School District reserves those portions of fund balance 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, textbook and instructional materials, bus purchases, and cash held as required for underground storage tank deductibles.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks and instructional materials is for amounts required to be set-aside by State Statute for the purchase of these materials. The reserve for bus purchase is for state funds required to be utilized for the purchase of school buses.

St. Clairsville-Richland City School District
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For the Fiscal Year Ended June 30, 2007

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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation enacted 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 resources from local sources restricted to expenditures for student programs, set-asides, bus purchase and underground storage tank deductibles. Of the total restricted net assets, none has resulted from enabling legislation.

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. 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.

R. 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.

S. Budgetary Data

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

St. Clairsville-Richland City School District
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For the Fiscal Year Ended June 30, 2007

NOTE 3 - 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 (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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 table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$1,054,532
Revenue Accruals	(95,599)
Advances In	105,052
Expenditure Accruals	62,743
Advances Out	(19,636)
Encumbrances	(296,007)
Budget Basis	<u><u>\$811,085</u></u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At June 30, 2007, the School District's general fund had a balance of \$118,025 with OME-RESA, a claims servicing pool (See Note 15). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end,

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\$2,828,523 of the School District's bank balance of \$2,928,523 was exposed to custodial credit risk because it 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.

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

Investments

As of June 30, 2007, the School District had an investment in STAROhio. The fair value of the STAROhio investment was \$1,424,823, and the investment has an average maturity of 38.56 days.

Interest Rate Risk. The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no policy that addresses credit risk.

NOTE 5 - 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true

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value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Belmont 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, 2007, are available to finance fiscal year 2007 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, 2007 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, 2007, was \$469,257 in the general fund and \$63,526 in the debt service fund. The amount available as an advance at June 30, 2006, was \$373,658 in the general fund and \$50,933 in the debt service 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.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second - Half Collections		2007 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$280,670,530	89.90%	\$318,468,980	92.61%
Public Utility Personal	11,200,480	3.59%	11,041,010	3.21%
General Business Property	20,316,971	6.51%	14,379,850	4.18%
Total	\$312,187,981	100.00%	\$343,889,840	100.00%
Tax rate per \$1,000 of assessed valuation	\$35.19		\$35.19	

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, interfund, and intergovernmental grants. 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. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$448,377 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

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	Amounts
Governmental Activities:	
Excess Cost Reimbursement	\$122,000
C.O.R.E. Grant	15,403
IDEA - Part B	153,119
Title V	6,554
Title II-A	13,414
Title I	91,372
Title II-D	1,959
Safe and Drug Free Community Grant	572
Federal Lunch	22,410
Total	\$426,803

NOTE 7 - INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2007, consist of the following interfund receivables and payables:

	Interfund Receivable
<u>Interfund Payable</u>	General Fund
Other Nonmajor Governmental Funds	\$19,636

The loan made to the Miscellaneous State Grants Special Revenue Fund was made to support the programs until state grant monies are received.

B. Transfers

	Transfers To Other Nonmajor Governmental Funds
<u>Transfers From</u>	General Fund
General Fund	\$100,380

During fiscal year 2007, the General Fund transferred \$100,380 to the Food Service Special Revenue Fund due to insufficient user charges and federal subsidies to operate the Food Service Program.

St. Clairsville-Richland City School District
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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<u>Government Activities:</u>				
Non Depreciable Assets:				
Land	\$444,105	\$0	\$0	\$444,105
Total Non Depreciable Assets	444,105	0	0	444,105
Depreciable Assets:				
Buildings and Improvements	12,041,672	0	0	12,041,672
Furniture, Fixtures, and Equipment	1,394,536	12,974	(8,274)	1,399,236
Vehicles	1,055,575	62,428	(221,363)	896,640
Total Depreciable Capital Assets	14,491,783	75,402	(229,637)	14,337,548
Less Accumulated Depreciation:				
Buildings and Improvements	(4,474,560)	(266,378)	0	(4,740,938)
Furniture, Fixtures, and Equipment	(613,880)	(84,379)	6,292	(691,967)
Vehicles	(693,193)	(79,587)	208,833	(563,947)
Total	(5,781,633)	(430,344)	215,125	(5,996,852)
Depreciable Capital Assets, Net	8,710,150	(354,942)	(14,512)	8,340,696
Governmental Activities Capital Assets, Net	\$9,154,255	(\$354,942)	(\$14,512)	\$8,784,801

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Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$175,919
Special	33,041
Vocational	17,314
Support Services:	
Pupils	8,616
Instructional Staff	21,810
Board of Education	2,664
Administration	25,043
Fiscal	5,828
Maintenance	31,315
Transportation	82,509
Central	2,356
Food Service Operations	19,384
Extracurricular	4,545
Total	\$430,344

NOTE 9 - 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. During fiscal year 2007 the School District contracted with Utica National Insurance Group, Steele Insurance Associates, Inc. for property and inland marine coverage, general liability, and for fleet insurance. Coverage provided by Steele Insurance Associates, Inc. follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$45,502,914
Automotive Liability (\$1,000 deductible)	1,000,000
Uninsured Motorist (\$1,000 deductible)	1,000,000
Medical Payments Limit	5,000
<i>General Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	2,000,000

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. The School District contracts with Comp Services to provide administrative assistance for workers compensation.

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. All employees were offered dental coverage through the self-insured program for the entire fiscal year. Prior to January 1, 2007 classified union employees were offered medical/surgical, and prescription drug coverage

St. Clairsville-Richland City School District
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For the Fiscal Year Ended June 30, 2007

through The Health Plan, a Health Maintenance Organization. As of January 1, 2007, the classified union employees were no longer offered the medical/surgical and prescription drug coverage through The Health Plan, but were offered medical/surgical and prescription drug coverage through Anthem, a Preferred Provider Organization. See Note 15 for additional details. As of June 30, 2007 the only self-insured coverage is dental coverage for all employees.

The School District reports the program in the general fund. The claims liability of \$15,726 reported in the general fund at June 30, 2007 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.

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

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2006	\$3,459	\$229,786	\$229,745	\$3,500
2007	3,500	225,813	213,587	15,726

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and certain administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and the remaining administrators do not earn vacation time. All 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 225 days. Upon retirement, payment is made for one-third of the first 120 days of sick leave accumulation plus 12% of excess over 120 days up to 225 days.

B. Other Insurance

In addition to the dental self-insured coverage offered, as of January 1, 2007, the School District offers all employees medical/surgical and prescription drug insurance coverage through Anthem, a Preferred Provider Organization. The Anthem monthly rate is \$974.00 for a family plan and \$389.60 for a single plan. The Board of Education pays approximately 94 percent of the premiums. The School District also provides life insurance and accidental death and dismemberment insurance to all employees from Medical Life Insurance Company in an amount of \$20,000 per employee. The Board pays 100 percent of the premiums for this coverage.

C. Retirement Incentive

For fiscal year 2007, the School District offered a retirement incentive, in the amount of \$10,000, to any teacher, otherwise eligible for retirement through STRS, who by June 30, 2007 will have 30 years of service, and who, by April 15, 2007, submitted a letter of retirement to the Board, through the Treasurer, to be effective June 30, 2007. At June 30, 2007, there was a liability of \$40,000 for this benefit.

St. Clairsville-Richland City School District
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NOTE 11 - 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 10 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 2007, 10.68 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, 2007, 2006 and 2005 were \$184,919, \$116,161, and \$146,776 respectively; 53 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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 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, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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.

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For the fiscal year ended June 30, 2007, plan members were required to contribute 10 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 2006, the portion used to fund pension obligations was also 13 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 STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$679,738, \$708,941, and \$698,010 respectively; 94 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$11,861 made by the School District and \$15,959 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$59,565 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund

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health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$77,584.

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 the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

NOTE 13 - LONG TERM OBLIGATIONS

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding		Outstanding		Amounts
	6/30/06	Additions	Reductions	6/30/07	Due Within
					One Year
<u>Governmental Activities:</u>					
2002 School Improvement and Construction					
General Obligation Bonds - \$7,944,111					
Serial Bonds - \$7,825,000 @ 1.95%-4.15%	\$5,595,000	\$0	\$645,000	\$4,950,000	\$705,000
Premium - \$483,132	278,267	0	43,921	234,346	0
Discount - \$30,124	(17,342)	2,739	0	(14,603)	0
Capital Appreciation Bond - \$119,111 @ 4.77	119,111	0	0	119,111	0
Accretion of Interest - \$920,889 @ 19.6%	141,972	53,451	0	195,423	0
Total General Obligation Bonds	6,117,008	56,190	688,921	5,484,277	705,000
2005 Energy Conservation					
Loan - \$325,000 @ 4.05-6.00%	286,571	0	17,670	268,901	18,216
Compensated Absences Payable	531,562	104,086	18,143	617,505	90,042
Total Governmental Activities	\$6,935,141	\$160,276	\$724,734	\$6,370,683	\$813,258

2002 School Improvement and Construction General Obligation Bonds - On April 15, 2002 the School District issued \$7,944,111 in general obligation school facilities construction and improvement bonds to retire bond anticipation notes that had been issued for construction and improvement of School District facilities. The School District received \$8,407,772 in proceeds, which included a \$483,132 premium on the capital appreciation bonds and \$10,653 in accrued interest. Costs associated with the bond issue amounted to \$150,812 and the serial bonds were issued at a \$30,124 discount. The bond premium, the discount, and the bond issuance costs will be amortized over the life of the issue. The bond issue consists of serial bonds and a capital appreciation bond. The bonds were issued for an eleven year period with a final maturity at December 1, 2012 and the bonds have varying interest rates ranging from 1.95 percent to 4.15 percent. The general obligation bonds will be retired with the proceeds of a 2.94 mill levy approved in May 2001. The

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

principal and interest payments will be recorded in the debt service fund. The bonds are not subject to redemption prior to stated maturity.

The capital appreciation bonds were sold at a discount of \$920,889, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is December 1, 2013. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$1,040,000. The accretion recorded for fiscal year 2007 is \$53,451 for a total bond liability of \$314,534. The accretion will continue to be recorded on a straight-line basis over the life of the bonds.

The principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$705,000	\$182,964	\$887,964
2009	745,000	156,307	901,307
2010	785,000	126,637	911,637
2011	855,000	93,837	948,837
2012	905,000	58,186	963,186
2013-2014	1,074,111	940,706	2,014,817
	<u>\$5,069,111</u>	<u>\$1,558,637</u>	<u>\$6,627,748</u>

Energy Conservation Loan – On August 24, 2004, the School District issued a fifteen year \$325,000 note at a variable rate of interest. The initial interest rate for the first five years of the loan is 4.05 percent. The interest rate for the remaining ten years of the loan is a variable rate based upon the weekly average rate for U.S. Treasury Securities adjusted to a “five year Treasury Rate” plus 2.25 percent multiplied by seventy-five percent per year. The rate is adjusted every five years and shall not exceed six percent and each adjustment shall not exceed one and one-quarter percent. The note was backed by the full faith and credit of the School District. The repayments are to be made from utility savings in the General Fund.

The principal and interest requirements to retire the energy conservation loan are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$18,216	\$11,117	\$29,333
2009	18,953	10,379	29,332
2010	18,588	12,626	31,214
2011	19,577	11,637	31,214
2012	20,619	10,595	31,214
2013-2017	120,238	37,590	157,828
2018-2019	52,710	5,298	58,008
	<u>\$268,901</u>	<u>\$99,242</u>	<u>\$368,143</u>

The overall debt margin of the School District as of June 30, 2007 was \$25,263,195 with an unvoted debt margin of \$327,708.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Compensated absences will be paid from the General Fund and the Food Service Special Revenue Governmental Fund.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. OME-RESA participants consist of school districts and county educational service centers. OME-RESA provides financial accounting services, educational management information, and cooperative purchase services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the governing board. OME-RESA has no outstanding debt. During fiscal year 2007, the St. Clairsville-Richland City School District paid \$98,783 to OME-RESA.

The East Central Ohio Special Education Regional Resource Center – The East Central Ohio Special Education Regional Resource Center (ECOSERRC) is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio that operates under the direction of an Advisory Board that consists of one or more superintendents from each of the 10 participating counties. This Board establishes policy, approves the budget and recommends employment through its fiscal agent, Tuscarawas, Carroll, Harrison Educational Service Center. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC.

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2007.

The Belmont-Harrison Vocational School District - The Belmont-Harrison Career Center, a joint vocational school, is a jointly governed organization providing vocational services to its member school districts. The Career Center is governed by a board of education comprised of members appointed from each of the participating schools' boards of education. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 – CLAIMS SERVICING POOL

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 16 – RELATED ORGANIZATION

The St. Clairsville Public Library - The St. Clairsville Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the St. Clairsville-Richland City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operating subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Clairsville Public Library, Clerk/Treasurer, at 108 East Main Street, St. Clairsville, Ohio 43950.

NOTE 17 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2007.

B. Litigation

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

NOTE 18 - 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.

Pursuant to State statute, the Board of Education expended all of the amounts previously set-aside for the budget reserve.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Effective June 30, 2005, through Amended Substitute House Bill 66, School Districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education. The St. Clairsville-Richland City School District remained in Fiscal Caution during fiscal year 2007, but did not request a waiver of the set-aside requirement for fiscal year 2007.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2006	\$87,896	\$0
Current Year Set-aside Requirement	240,723	240,723
Qualifying Disbursements	<u>(183,042)</u>	<u>(271,100)</u>
Totals	<u>\$145,577</u>	<u>(\$30,377)</u>
Allowable Carry Forward for Fiscal Year 2007	N/A	0
Allowable Carry Forward at June 30, 2007	<u>N/A</u>	<u>(7,754,874)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$145,577</u>	<u>(\$7,754,874)</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$145,577</u>	<u>\$0</u>

The School District has qualifying disbursements during the fiscal year that reduced the set-aside amount for capital improvements to below zero that may not be carried forward to future years, but has prior year capital expenditures paid from debt proceeds in connection with a school facilities project and an energy conservation project that may be carried forward to offset future set-aside requirements.

NOTE 19 – SUBSEQUENT EVENTS

At a Special Meeting on July 26, 2007, the Board of Education approved a Resolution to Implement a Reduction In Force, effective August 1, 2007. The Board resolution approves the abolishment of two positions and the layoff of two employees. The positions eliminated are one teacher aide position and one bus driver position.

NOTE 20 – FINANCIAL POSITION

Based on the most recent Board-adopted five year forecast filed October 2007, the District is not projecting a deficit cash balance or deficit unreserved fund balance until the fifth year of the projection. The Board has not currently adopted a plan to address the projected deficit.

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**ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT
BELMONT COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed-Through Ohio Department of Education:</i>						
Food Donation	NA	10.550	\$0	\$8,469	\$0	\$8,469
Nutrition Cluster:						
School Breakfast Program	045997-05PU-06	10.553	16,065	0	16,065	0
	045997-05PU-07	10.553	<u>51,475</u>	<u>0</u>	<u>51,475</u>	<u>0</u>
Total School Breakfast Program			<u>67,540</u>	<u>0</u>	<u>67,540</u>	<u>0</u>
National School Lunch Program	045997-LLP4-06	10.555	34,705	0	34,705	0
	045997-LLP4-07	10.555	<u>111,286</u>	<u>0</u>	<u>111,286</u>	<u>0</u>
Total National School Lunch Program			<u>145,991</u>	<u>0</u>	<u>145,991</u>	<u>0</u>
Total Nutrition Cluster			<u>213,531</u>	<u>0</u>	<u>213,531</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>213,531</u>	<u>8,469</u>	<u>213,531</u>	<u>8,469</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed-Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045997-C1S1-06	84.010	40,908	0	47,571	0
	045997-C1S1-07	84.010	164,242	0	152,843	0
	045997-C1SD-06	84.010	21,865	0	22,193	0
	045997-C1SD-07	84.010	<u>37,820</u>	<u>0</u>	<u>32,729</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			<u>264,835</u>	<u>0</u>	<u>255,336</u>	<u>0</u>
Special Education, Grants to States	045997-6BSF-06	84.027	27,367	0	61,638	0
	045997-6BSF-07	84.027	<u>318,072</u>	<u>0</u>	<u>282,739</u>	<u>0</u>
Total Special Education, Grants to States			<u>345,439</u>	<u>0</u>	<u>344,377</u>	<u>0</u>
Safe and Drug-Free Schools and Communities, National Programs	045997-T4S1-04	84.184C	(8,424)	0	0	0
Safe and Drug-Free Schools and Communities, State Grants	045997-DRS1-06	84.186	(61)	0	465	0
	045997-DRS1-07	84.186	<u>5,885</u>	<u>0</u>	<u>5,156</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities, State Grants			<u>5,824</u>	<u>0</u>	<u>5,621</u>	<u>0</u>
Innovative Education Program Strategies	045997-C2S1-06	84.298	(2,225)	0	0	0
	045997-C2S1-07	84.298	<u>6,239</u>	<u>0</u>	<u>4,133</u>	<u>0</u>
Total Innovative Education Program Strategies, Title V			<u>4,014</u>	<u>0</u>	<u>4,133</u>	<u>0</u>
Education Technology State Grants	045997-TJS1-06	84.318	(567)	0	1,577	0
	045997-TJS1-07	84.318	<u>4,212</u>	<u>0</u>	<u>3,120</u>	<u>0</u>
Total Education Technology State Grants			<u>3,645</u>	<u>0</u>	<u>4,697</u>	<u>0</u>
Improving Teacher Quality State Grants	045997-TRS1-06	84.367	13,179	0	14,517	0
	045997-TRS1-07	84.367	<u>73,754</u>	<u>0</u>	<u>72,728</u>	<u>0</u>
Total Improving Teacher Quality State Grants			<u>86,933</u>	<u>0</u>	<u>87,245</u>	<u>0</u>
Total U.S. Department of Education			<u>702,266</u>	<u>0</u>	<u>701,409</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$915,797</u>	<u>\$8,469</u>	<u>\$914,940</u>	<u>\$8,469</u>

The accompanying Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this Schedule.

**ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT
BELMONT COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – TRANSFERS

The Ohio Department of Education (ODE) requires School Districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfer due to ODE administrative action:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers- In</u>	<u>Transfers-Out</u>
84.010	045997-C1S1-06		\$1,058
84.010	045997-C1S1-07	\$1,058	
84.010	045997-C1SD-06		\$2,051
84.010	045997-C1SD-07	\$2,051	
84.027	045997-6BSF-06		\$18,114
84.027	045997-6BSF-07	\$18,114	
84.186	045997-DRS1-06		\$61
84.186	045997-DRS1-07	\$61	
84.298	045997-C2S1-06		\$2,225
84.298	045997-C2S1-07	\$2,225	
84.318	045997-TJS1-06		\$567
84.318	045997-TJS1-07	\$567	
84.367	045997-TRS1-06		\$263
84.367	045997-TRS1-07	\$263	



Mary Taylor, CPA

Auditor of State

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

St. Clairsville-Richland City School District
Belmont County
108 Woodrow Ave.
St. Clairsville, Ohio 43950

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 6, 2008, wherein we noted the School District being placed in Fiscal Caution by the Ohio Department of Education on February 23, 2004 due to a declining financial condition. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted a certain matter that we reported to the School District's management in a separate letter dated March 6, 2008.

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the School District's management in a separate letter dated March 6, 2008.

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



Mary Taylor, CPA
Auditor of State

March 6, 2008



Mary Taylor, CPA

Auditor of State

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

St. Clairsville-Richland City School District
Belmont County
108 Woodrow Avenue
St. Clairsville, Ohio 43950

To the Board of Education:

Compliance

We have audited the compliance of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the St. Clairsville-Richland City School District, Belmont County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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St. Clairsville-Richland City School District
Belmont County
Independent Accountants' Report On Compliance With Requirements
Applicable To The Major Federal Program And On Internal Control Over
Compliance In Accordance With OMB Circular A-133
Page 2

Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

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



Mary Taylor, CPA
Auditor of State

March 6, 2008

**ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS
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(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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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 Section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education, Grants to States, C.F.D.A. #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2007
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT

BELMONT 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
MARCH 25, 2008**