



Dave Yost • Auditor of State

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Steubenville City School District
Jefferson County
P.O. Box 189
Steubenville, Ohio 43952

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

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Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Steubenville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2015 are as follows:

- Net position of governmental activities decreased \$840,937.
- General revenues accounted for \$16,604,869 in revenue or 60 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$10,944,869 or 40 percent of total revenues of \$27,549,738.
- Total assets decreased \$1,227,066. Current assets decreased by \$792,927 primarily due to decreases in equity in pooled cash and cash equivalents and accounts receivable. The decreases were offset by increase in Investments with Fiscal and Escrow Agents. Capital assets decreased \$434,139 due primarily to depreciation expense on depreciable capital assets which was offset by capital asset additions.
- The School District had \$28,390,675 in expenses related to governmental activities; only \$10,944,869 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues of \$16,604,869 were not adequate to provide for these programs.
- Total Governmental funds had \$28,306,482 in revenues and \$29,167,807 in expenditures. Total Governmental funds' balance, including other financing sources and uses, decreased \$861,235.

Using this Annual Financial Report

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

The Statement of Net Position 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 as the School District's most significant funds with all other non-major funds presented in total in one column.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all non fiduciary 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 position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities which include instruction, support services, operation of non-instructional services, debt service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Debt Service Fund, Building Fund and Classroom Facilities Fund.

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

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

Table 1
Net Position
Governmental Activities

| | 2015 | 2014 | Change |
|--|---------------------|---------------------|--------------------|
| Assets | | | |
| Current and Other Assets | \$27,394,373 | \$28,187,300 | (\$792,927) |
| Capital Assets | 45,638,028 | 46,072,167 | (434,139) |
| Total Assets | 73,032,401 | 74,259,467 | (1,227,066) |
| Deferred Outflow Of Resources | | | |
| Pension | 1,755,018 | 1,423,071 | 331,947 |
| Liabilities | | | |
| Current and Other Liabilities | 4,695,144 | 3,293,680 | 1,401,464 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 1,235,654 | 1,060,700 | 174,954 |
| Due in More Than One Year | | | |
| Net Pension Liability | 24,676,974 | 29,338,370 | (4,661,396) |
| Other Amounts | 10,346,826 | 11,508,249 | (1,161,423) |
| Total Liabilities | 40,954,598 | 45,200,999 | (4,246,401) |
| Deferred Inflows of Resources | | | |
| Property Taxes | 3,301,305 | 3,594,894 | (293,589) |
| Pension | 4,485,808 | 0 | 4,485,808 |
| Total Deferred Inflows of Resources | 7,787,113 | 3,594,894 | 4,192,219 |
| Net Position | | | |
| Net Investment in Capital Assets | 35,269,270 | 37,402,180 | (2,132,910) |
| Restricted | 9,997,160 | 9,984,003 | 13,157 |
| Unrestricted | (19,220,722) | (20,499,538) | 1,278,816 |
| Total Net Position | \$26,045,708 | \$26,886,645 | (\$840,937) |

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State Statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$54,801,944 to \$26,886,645.

Total assets decreased \$1,227,066. Current assets decreased by \$792,927 primarily due to decreases in equity in pooled cash and cash equivalents and accounts receivable. The decreases were offset by increases in Investments with Fiscal and Escrow Agents. Capital assets decreased \$434,139 due primarily to depreciation expense on depreciable capital assets.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Current and other liabilities increased \$1,401,464. The increase is due primarily to an intergovernmental payable to the Ohio Facilities Construction Commission in accordance with the Certificate of Completion of the project agreement for a previously completed school facilities project. Long-term liabilities, excluding the pension liability, decreased \$986,469 due primarily to lower long-term debt payments.

Table 2 shows the changes in net position for the fiscal year 2015 compared to fiscal year 2014.

| | 2015 | 2014 | Change |
|--|---------------------|---------------------|--------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$4,004,445 | \$3,996,656 | \$7,789 |
| Operating Grants and Contributions | 6,940,424 | 7,718,192 | (777,768) |
| Total Program Revenues | 10,944,869 | 11,714,848 | (769,979) |
| General Revenues | | | |
| Property Taxes | 3,936,086 | 4,092,535 | (156,449) |
| Grants and Entitlements not Restricted to Specific Programs | 12,247,944 | 11,114,331 | 1,133,613 |
| Others | 420,839 | 477,867 | (57,028) |
| Total General Revenues | 16,604,869 | 15,684,733 | 920,136 |
| Total Revenues | 27,549,738 | 27,399,581 | 150,157 |
| Program Expenses | | | |
| Instruction | | | |
| Regular | 12,239,471 | 12,816,164 | (576,693) |
| Special | 3,135,534 | 2,898,892 | 236,642 |
| Vocational | 670,706 | 735,464 | (64,758) |
| Support Services | | | |
| Pupil | 855,138 | 726,108 | 129,030 |
| Instructional Staff | 505,633 | 638,479 | (132,846) |
| Board of Education | 88,288 | 90,280 | (1,992) |
| Administration | 2,043,219 | 2,205,710 | (162,491) |
| Fiscal | 468,099 | 475,698 | (7,599) |
| Business | 234,396 | 214,922 | 19,474 |
| Operation and Maintenance of Plant | 3,104,276 | 2,734,061 | 370,215 |
| Pupil Transportation | 533,871 | 487,587 | 46,284 |
| Central | 103,940 | 31,293 | 72,647 |
| Operation of Non-Instructional Services | | | |
| Intergovernmental | 1,777,679 | 0 | 1,777,679 |
| Food Service Operations | 1,054,343 | 831,899 | 222,444 |
| Extracurricular Activities | 791,054 | 707,758 | 83,296 |
| Interest and Fiscal Charges | 161,650 | 199,375 | (37,725) |
| Total Expenses | 28,390,675 | 26,322,533 | 2,068,142 |
| Decrease in Net Position | (840,937) | 1,077,048 | (1,917,985) |
| Net Position Beginning of Year | 26,886,645 | N/A | |
| Net Position End of Year | <u>\$26,045,708</u> | <u>\$26,886,645</u> | <u>(\$840,937)</u> |

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,423,071 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,013,823. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | |
|---|---------------------------|
| Total 2015 GASB 68 program expenses under GASB 68 | \$28,390,675 |
| Pension expense under GASB 68 | (1,013,823) |
| 2015 contractually required contribution | <u>1,521,358</u> |
| Adjusted 2015 program expenses | 28,898,210 |
| Total 2014 program expenses under GASB 27 | <u>26,322,533</u> |
| Increase in program expenses not related to pension | <u><u>\$2,575,677</u></u> |

In 2015, 14 percent of the School District's revenues were from property taxes, and 44 percent were from unrestricted grants and entitlements. Program revenue charges for services, operating grants and contributions decreased \$769,979 from the prior fiscal year. This decrease is due primarily to a private contributions associated with the Qualified Zone Academy Bond issue project from the prior year.

Instructional programs comprise approximately 60 percent of total governmental program expenses and reflect a \$404,809 decrease from fiscal year 2014. Overall, program expenses not related to pension increased by \$2,575,677. The increase is due primarily to Non-Instructional expenses related to a previously completed school facilities project.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2015 compared to fiscal year 2014. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements. The 2014 amounts still include pension expense computed under GASB 27.

Stuebenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
Governmental Activities

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|---|-------------------------------|----------------------------|-----------------------------|----------------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Instruction | | | | |
| Regular | \$12,239,471 | \$12,816,164 | \$6,889,796 | \$6,432,478 |
| Special | 3,135,534 | 2,898,892 | 523,130 | 528,771 |
| Vocational | 670,706 | 735,464 | 513,476 | 627,157 |
| Support Services | | | | |
| Pupil | 855,138 | 726,108 | 644,593 | 541,516 |
| Instructional Staff | 505,633 | 638,479 | 449,191 | 361,794 |
| Board of Education | 88,288 | 90,280 | 88,288 | 90,280 |
| Administration | 2,043,219 | 2,205,710 | 2,043,219 | 2,136,500 |
| Fiscal | 468,099 | 475,698 | 283,061 | 176,934 |
| Business | 234,396 | 214,922 | 223,320 | 204,081 |
| Operation and Maintenance of Plant | 3,104,276 | 2,734,061 | 2,971,794 | 2,614,243 |
| Pupil Transportation | 533,871 | 487,587 | 473,478 | 487,047 |
| Central | 103,940 | 31,293 | 101,084 | 30,296 |
| Operation of Non-Instructional Services | 623,378 | 528,843 | 130,421 | (43,214) |
| Intergovernmental | 1,777,679 | 0 | 1,777,679 | 0 |
| Food Service Operations | 1,054,343 | 831,899 | (291,021) | (242,112) |
| Extracurricular Activities | 791,054 | 707,758 | 462,647 | 462,539 |
| Interest and Fiscal Charges | 161,650 | 199,375 | 161,650 | 199,375 |
| Total Expenses | <u>\$28,390,675</u> | <u>\$26,322,533</u> | <u>\$17,445,806</u> | <u>\$14,607,685</u> |

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 61 percent of expenses are supported through taxes and other general revenues.

The School District Funds

Information about the School District funds starts on page 15. The School District has four major funds, the General Fund, Debt Fund, Building Fund and Classroom Facilities Fund. The General Fund had \$21,572,231 in revenues and \$19,912,605 in expenditures. Including other financing uses, the General Fund's balance increased \$1,379,384. The Debt Service Fund had \$1,182,013 in revenues and \$1,230,166 in expenditures. Including other financing sources, the Debt Service Fund's balance increased \$679,665. The Building Fund had \$276,829 in revenues and \$1,262,246 in expenditures. Including other financing uses, the Building Fund's balance decreased \$1,432,993. The Classroom Facilities Fund had \$3,058 in revenues and \$1,729,231 in expenditures, which resulted in a fund balance decrease of \$1,726,173.

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 2015 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflected slight increases for intergovernmental and tuition and fees. The

Steubenville City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
 Unaudited

actual results of operations were different than budgeted amounts as total revenue realized was only slightly more than estimated; spending in almost all categories was lower than budgeted appropriations, with overall expenditures being \$362,591 below appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$45,638,028 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2015, the School District had \$10,471,201 in bonds outstanding.

Table 4
Outstanding Debt at Year End
Governmental Activities

| | 2015 | 2014 |
|--|---------------------|---------------------|
| 1998 Refunding Bonds- Term Bonds | \$1,350,000 | \$2,010,000 |
| 2000 School Facilities Capital Appreciation Bonds and Accetion of Interest | 0 | 164,651 |
| 2005 Qualified Zone Academy Bonds | 3,930,240 | 3,930,240 |
| 2007 Qualified Zone Academy Bonds | 700,000 | 700,000 |
| 2014 Qualified Zone Academy Bonds | 2,612,500 | 2,750,000 |
| 2011 Refunding Bonds - Serial and Capital Appreciation Bonds, Accretion of Interest and Premium | 1,878,461 | 1,956,394 |
| Total | \$10,471,201 | \$11,511,285 |

See Note 15 for more information regarding the School District's debt and other long-term obligations, including compensated absences and net pension liability under GASB 68.

Economic Factors

Highlighting the year is a separate program, under the direction of the Board of Education, called the STEM Academy. STEM is an acronym for Science, Technology, Engineering and Mathematics. A STEM School focuses on these subjects to help our nation's youth gain the skills required to succeed in today's challenging world. This includes the ability to think critically, solve complex problems, and drive advancements in science and technology. Our students will experience a rigorous high school/college curriculum, where upon completion they will receive a high school diploma and associate college degree or an employable skill certification. The advantage of the program is to help students earn employable skills and reduce the college education cost for the families of our students by approximately \$40,000.00. After only one year, Steubenville City School District was recognized as the number one STEM Academy in the nation by the National Education Foundation.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Kayla Whitlatch, Treasurer/CFO at Steubenville City School District, 1400 West Adams Street, Steubenville, Ohio 43952.

Steubenville City School District
Statement of Net Position
June 30, 2015

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$12,427,351 |
| Intergovernmental Receivable | 508,596 |
| Accrued Interest Receivable | 5,200 |
| Prepaid Items | 118,597 |
| Materials and Supplies Inventory | 15,625 |
| Property Taxes Receivable | 5,516,606 |
| Cash and Cash Equivalents with Fiscal Agent | 4,890,395 |
| Accounts Receivable | 922,849 |
| Investments with Fiscal and Escrow Agents | 2,989,154 |
| Non-Depreciable Capital Assets | 5,968,004 |
| Depreciable Capital Assets, Net | <u>39,670,024</u> |
| <i>Total Assets</i> | <u>73,032,401</u> |
| Deferred Outflows of Resources | |
| Pension | <u>1,755,018</u> |
| Liabilities | |
| Accounts Payable | 69,854 |
| Accrued Wages and Benefits Payable | 1,838,495 |
| Vacation Benefits Payable | 35,491 |
| Intergovernmental Payable | 2,248,423 |
| Matured Severance Payable | 28,338 |
| Accrued Interest Payable | 8,579 |
| Retainage Payable | 24,157 |
| Claims Payable | 441,807 |
| Long-Term Liabilities: | |
| Due Within One Year | 1,235,654 |
| Due In More Than One Year | |
| Net Pension Liability (See Note 11) | 24,676,974 |
| Other Amounts Due in More Than One Year | <u>10,346,826</u> |
| <i>Total Liabilities</i> | <u>40,954,598</u> |
| Deferred Inflows of Resources | |
| Property Taxes | 3,301,305 |
| Pension | <u>4,485,808</u> |
| <i>Total Deferred Inflows of Resources</i> | <u>7,787,113</u> |
| Net Position (Deficit) | |
| Net Investment in Capital Assets | 35,269,270 |
| Restricted for: | |
| Debt Service | 5,328,670 |
| Capital Outlay | 1,032,074 |
| Budget Stabilization | 85,496 |
| State and Intermediate Programs | 193,493 |
| Food Service Operations | 1,090,607 |
| Preschool Programs | 463,399 |
| Classroom Facilities Maintenance | 1,436,402 |
| Other Purposes | 367,019 |
| Unrestricted | <u>(19,220,722)</u> |
| <i>Total Net Position</i> | <u>\$26,045,708</u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

| | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | |
|---|---------------------|-----------------------------------|--|----------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$12,239,471 | \$3,606,815 | \$1,742,860 | (\$6,889,796) |
| Special | 3,135,534 | 20,203 | 2,592,201 | (523,130) |
| Vocational | 670,706 | 0 | 157,230 | (513,476) |
| Support Services: | | | | |
| Pupil | 855,138 | 0 | 210,545 | (644,593) |
| Instructional Staff | 505,633 | 0 | 56,442 | (449,191) |
| Board of Education | 88,288 | 0 | 0 | (88,288) |
| Administration | 2,043,219 | 0 | 0 | (2,043,219) |
| Fiscal | 468,099 | 1,814 | 183,224 | (283,061) |
| Business | 234,396 | 11,076 | 0 | (223,320) |
| Operation and Maintenance of Plant | 3,104,276 | 57,328 | 75,154 | (2,971,794) |
| Pupil Transportation | 533,871 | 0 | 60,393 | (473,478) |
| Central | 103,940 | 0 | 2,856 | (101,084) |
| Operation of Non-Instructional Services | 623,378 | 0 | 492,957 | (130,421) |
| Intergovernmental | 1,777,679 | 0 | 0 | (1,777,679) |
| Food Service Operations | 1,054,343 | 0 | 1,345,364 | 291,021 |
| Extracurricular Activities | 791,054 | 307,209 | 21,198 | (462,647) |
| Interest and Fiscal Charges | 161,650 | 0 | 0 | (161,650) |
| <i>Total Governmental Activities</i> | <u>\$28,390,675</u> | <u>\$4,004,445</u> | <u>\$6,940,424</u> | <u>(17,445,806)</u> |
| General Revenues | | | | |
| | | | | 3,033,564 |
| Property Taxes Levied for General Purposes | | | | 838,389 |
| Property Taxes Levied for Debt Service | | | | 64,133 |
| Property Taxes Levied for Building Maintenance | | | | 12,247,944 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 155,447 |
| Gifts and Donations | | | | 152,799 |
| Investment Earnings | | | | 112,593 |
| Miscellaneous | | | | <u>16,604,869</u> |
| <i>Total General Revenues</i> | | | | <u>16,604,869</u> |
| Change in Net Position | | | | (840,937) |
| <i>Net Position Beginning of Year - Restated (Note 3)</i> | | | | <u>26,886,645</u> |
| <i>Net Position End of Year</i> | | | | <u><u>\$26,045,708</u></u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Balance Sheet
Governmental Funds
June 30, 2015

| | General | Debt Service | Building Fund | Classroom Facilities Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|--------------------|---------------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$4,800,613 | \$1,483,507 | \$1,074 | \$0 | \$3,755,874 | \$10,041,068 |
| Restricted Assets: | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 85,496 | 0 | 520,181 | 1,780,606 | 0 | 2,386,283 |
| Investments with Fiscal and Escrow Agents | 0 | 2,989,154 | 0 | 0 | 0 | 2,989,154 |
| Receivables: | | | | | | |
| Property Taxes | 4,327,452 | 1,102,831 | 0 | 0 | 86,323 | 5,516,606 |
| Interfund | 8,223 | 447,576 | 0 | 0 | 0 | 455,799 |
| Intergovernmental | 216,434 | 0 | 0 | 0 | 292,162 | 508,596 |
| Accrued Interest | 5,200 | 0 | 0 | 0 | 0 | 5,200 |
| Accounts Receivable | 0 | 0 | 825,300 | 0 | 0 | 825,300 |
| Prepaid Items | 104,461 | 0 | 0 | 0 | 14,136 | 118,597 |
| Materials and Supplies Inventory | 9,839 | 0 | 0 | 0 | 5,786 | 15,625 |
| Total Assets | \$9,557,718 | \$6,023,068 | \$1,346,555 | \$1,780,606 | \$4,154,281 | \$22,862,228 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$34,666 | \$0 | \$0 | \$0 | \$35,188 | \$69,854 |
| Accrued Wages and Benefits Payable | 1,580,126 | 0 | 0 | 0 | 258,369 | 1,838,495 |
| Matured Severance Payable | 28,338 | 0 | 0 | 0 | 0 | 28,338 |
| Interfund Payable | 0 | 0 | 447,576 | 0 | 8,223 | 455,799 |
| Intergovernmental Payable | 376,653 | 0 | 48,448 | 1,780,606 | 42,716 | 2,248,423 |
| Retainage Payable | 0 | 0 | 24,157 | 0 | 0 | 24,157 |
| Total Liabilities | 2,019,783 | 0 | 520,181 | 1,780,606 | 344,496 | 4,665,066 |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 2,562,519 | 685,819 | 0 | 0 | 52,967 | 3,301,305 |
| Unavailable Revenue | 1,315,127 | 236,418 | 825,300 | 0 | 138,229 | 2,515,074 |
| Total Deferred Inflows of Resources | 3,877,646 | 922,237 | 825,300 | 0 | 191,196 | 5,816,379 |
| Fund Balances (Deficit) | | | | | | |
| Nonspendable: | | | | | | |
| Inventories | 9,839 | 0 | 0 | 0 | 5,786 | 15,625 |
| Prepaid Items | 104,461 | 0 | 0 | 0 | 14,136 | 118,597 |
| Restricted for: | | | | | | |
| Debt Service | 0 | 5,100,831 | 0 | 0 | 0 | 5,100,831 |
| Capital Outlay | 0 | 0 | 1,074 | 0 | 205,898 | 206,972 |
| Budget Stabilization | 85,496 | 0 | 0 | 0 | 0 | 85,496 |
| State and Intermediate Programs | 0 | 0 | 0 | 0 | 177,049 | 177,049 |
| Food Service Operations | 0 | 0 | 0 | 0 | 1,082,321 | 1,082,321 |
| Preschool Programs | 0 | 0 | 0 | 0 | 454,976 | 454,976 |
| Classroom Facilities Maintenance | 0 | 0 | 0 | 0 | 1,417,023 | 1,417,023 |
| Other Purposes | 0 | 0 | 0 | 0 | 367,019 | 367,019 |
| Assigned for: | | | | | | |
| Purchases on Order | 284,822 | 0 | 0 | 0 | 0 | 284,822 |
| Unassigned | 3,175,671 | 0 | 0 | 0 | (105,619) | 3,070,052 |
| Total Fund Balances | 3,660,289 | 5,100,831 | 1,074 | 0 | 3,618,589 | 12,380,783 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$9,557,718 | \$6,023,068 | \$1,346,555 | \$1,780,606 | \$4,154,281 | \$22,862,228 |

See accompanying notes to the basic financial statements

Stebenville City School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2015*

Total Governmental Fund Balances \$12,380,783

*Amounts reported for governmental activities in the
Statement of Net Position are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 45,638,028

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

| | | |
|-----------------------------|-----------|---------------|
| Property Taxes | 1,370,065 | |
| Grants | 118,850 | |
| Tuition and Fees | 199,285 | |
| Contributions and Donations | 825,300 | |
| Interest | 1,574 | |
| Total | | 2,515,074 |

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the Statement of Net Position. 4,546,137

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|---|-----------|------------------|
| General Obligation Bonds - Serial / Term | 2,955,000 | |
| General Obligation Bonds - Capital Appreciation Bonds | 75,000 | |
| Compensated Absences | 1,111,279 | |
| Vacation Benefits Payable | 35,491 | |
| Qualified Zone Academy Bonds | 7,242,740 | |
| Accrued Interest Payable | 8,579 | |
| Premium on Refunding Bonds | 96,216 | |
| Accretion on Capital Appreciation Bonds | 102,245 | |
| Total | | (11,626,550) |

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:

| | | |
|-----------------------------|-------------|-------------------------|
| Deferred Outflows - Pension | (1,755,018) | |
| Net Pension Liability | 24,676,974 | |
| Deferred Inflows - Pension | 4,485,808 | |
| Total | | <u>(27,407,764)</u> |

Net Position of Governmental Activities \$26,045,708

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

| | General | Debt Service | Building Fund | Classroom Facilities | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | | |
| Property Taxes | \$3,392,510 | \$914,549 | \$0 | \$0 | \$70,375 | \$4,377,434 |
| Intergovernmental | 14,347,818 | 183,224 | 0 | 0 | 4,491,312 | 19,022,425 |
| Interest | 8,457 | 84,240 | 1,729 | 3,058 | 1,519 | 99,003 |
| Tuition and Fees | 3,579,249 | 0 | 0 | 0 | 20,203 | 3,599,452 |
| Rent | 53,920 | 0 | 0 | 0 | 5,130 | 59,050 |
| Extracurricular Activities | 3,412 | 0 | 0 | 0 | 292,065 | 295,477 |
| Contributions and Donations | 108,147 | 0 | 275,100 | 0 | 306,101 | 689,348 |
| Charges for Services | 28,800 | 0 | 0 | 0 | 22,900 | 51,700 |
| Miscellaneous | 49,918 | 0 | 0 | 0 | 62,746 | 112,593 |
| <i>Total Revenues</i> | <u>21,572,231</u> | <u>1,182,013</u> | <u>276,829</u> | <u>3,058</u> | <u>5,272,351</u> | <u>28,306,482</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 9,611,801 | 0 | 275,100 | 0 | 1,543,675 | 11,430,576 |
| Special | 2,298,153 | 0 | 0 | 0 | 675,605 | 2,973,758 |
| Vocational | 517,395 | 0 | 0 | 0 | 8,000 | 525,395 |
| Support Services: | | | | | | |
| Pupil | 585,171 | 0 | 0 | 0 | 228,335 | 813,506 |
| Instructional Staff | 316,788 | 0 | 0 | 0 | 62,301 | 379,089 |
| Board of Education | 88,288 | 0 | 0 | 0 | 0 | 88,288 |
| Administration | 1,871,803 | 0 | 0 | 0 | 7,377 | 1,879,180 |
| Fiscal | 422,227 | 25,805 | 0 | 0 | 3,461 | 451,493 |
| Business | 225,330 | 0 | 0 | 0 | 12,012 | 237,342 |
| Operation and Maintenance of Plant | 3,179,827 | 0 | 57,218 | 0 | 224,929 | 3,461,974 |
| Pupil Transportation | 411,336 | 0 | 0 | 0 | 124,753 | 536,089 |
| Central | 81,690 | 0 | 0 | 0 | 22,250 | 103,940 |
| Operation of Non-Instructional Services | 17,940 | 0 | 0 | 0 | 594,914 | 612,854 |
| Intergovernmental | 0 | 0 | 48,448 | 1,729,231 | 0 | 1,777,679 |
| Food Service Operations | 0 | 0 | 0 | 0 | 1,089,019 | 1,089,019 |
| Extracurricular Activities | 284,856 | 0 | 0 | 0 | 355,455 | 640,311 |
| Capital Outlay | 0 | 0 | 881,480 | 0 | 81,473 | 962,953 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 961,992 | 0 | 0 | 0 | 961,992 |
| Interest and Fiscal Charges | 0 | 136,861 | 0 | 0 | 0 | 136,861 |
| CAB Accretion | 0 | 105,508 | 0 | 0 | 0 | 105,508 |
| <i>Total Expenditures</i> | <u>19,912,605</u> | <u>1,230,166</u> | <u>1,262,246</u> | <u>1,729,231</u> | <u>5,033,559</u> | <u>29,167,807</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>1,659,626</u> | <u>(48,153)</u> | <u>(985,417)</u> | <u>(1,726,173)</u> | <u>238,792</u> | <u>(861,325)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | 0 | 727,818 | 0 | 0 | 0 | 727,818 |
| Transfers Out | (280,242) | 0 | (447,576) | 0 | 0 | (727,818) |
| Total Other Financing Sources (Uses) | <u>(280,242)</u> | <u>727,818</u> | <u>(447,576)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | 1,379,384 | 679,665 | (1,432,993) | (1,726,173) | 238,792 | (861,325) |
| <i>Fund Balances Beginning of Year - Restated (Note 3)</i> | <u>2,280,905</u> | <u>4,421,166</u> | <u>1,434,067</u> | <u>1,726,173</u> | <u>3,379,797</u> | <u>13,242,108</u> |
| <i>Fund Balances End of Year</i> | <u>\$3,660,289</u> | <u>\$5,100,831</u> | <u>\$1,074</u> | <u>\$0</u> | <u>\$3,618,589</u> | <u>\$12,380,783</u> |

See accompanying notes to the basic financial statements

Steubenville City School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$861,325)

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

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

| | | |
|----------------|--------------------|-----------|
| Capital Outlay | 1,639,608 | |
| Depreciation | <u>(2,073,747)</u> | |
| Total | | (434,139) |

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

| | | |
|-----------------------------|----------------|-----------|
| Property Taxes | (441,348) | |
| Grants | (92,858) | |
| Tuition and Fees | (1,234) | |
| Contributions and Donations | (275,100) | |
| Interest | <u>(1,216)</u> | |
| Total | | (811,756) |

Repayment of principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

| | | |
|-------------------------------------|----------------|-----------|
| General Obligation Bonds | 760,000 | |
| Capital Appreciation Bonds | 64,492 | |
| Capital Appreciation Bond Accretion | 105,508 | |
| Qualified Zone Academy Bonds | <u>137,500</u> | |
| Total | | 1,067,500 |

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

| | | |
|-----------------------|-----------------|----------|
| Accrued Interest | 2,627 | |
| Accretion of Interest | <u>(39,443)</u> | |
| Total | | (36,816) |

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the Statement of Activities 12,027

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:

| | | |
|---------------------------|-----------------|----------|
| Vacation Benefits Payable | 6,679 | |
| Compensated Absences | <u>(53,615)</u> | |
| Total | | (46,936) |

The internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the Statement of Activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. (237,027)

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,521,358

Except for amounts reported as deferred inflows/outflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (1,013,823)

Change in Net Position of Governmental Activities (\$840,937)

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|--------------------|--------------------|--------------------|-------------------------------|
| Revenues | | | | |
| Property Taxes | \$3,170,469 | \$3,181,483 | \$3,181,483 | \$0 |
| Intergovernmental | 14,215,409 | 14,330,755 | 14,330,669 | (86) |
| Interest | 17,172 | 7,972 | 7,477 | (495) |
| Tuition and Fees | 3,558,180 | 3,579,341 | 3,579,249 | (92) |
| Rent | 39,200 | 52,070 | 53,920 | 1,850 |
| Extracurricular | 0 | 3,436 | 3,412 | (24) |
| Contributions and Donations | 166,354 | 108,198 | 108,147 | (51) |
| Charges for Services | 28,800 | 28,803 | 28,800 | (3) |
| Miscellaneous | 27,100 | 49,351 | 49,918 | 567 |
| <i>Total Revenues</i> | <u>21,222,684</u> | <u>21,341,409</u> | <u>21,343,075</u> | <u>1,666</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 9,895,700 | 9,688,100 | 9,605,628 | 82,472 |
| Special | 2,399,918 | 2,373,575 | 2,287,939 | 85,636 |
| Vocational | 565,393 | 546,383 | 529,932 | 16,451 |
| Support Services: | | | | |
| Pupil | 530,693 | 604,985 | 575,481 | 29,504 |
| Instructional Staff | 254,777 | 324,428 | 323,783 | 645 |
| Board of Education | 106,131 | 106,302 | 88,640 | 17,662 |
| Administration | 1,950,525 | 1,899,352 | 1,888,796 | 10,556 |
| Fiscal | 444,519 | 430,820 | 429,538 | 1,282 |
| Business | 218,950 | 262,934 | 242,310 | 20,624 |
| Operation and Maintenance of Plant | 3,033,565 | 3,343,789 | 3,281,884 | 61,905 |
| Pupil Transportation | 524,038 | 431,332 | 432,477 | (1,145) |
| Central | 52,400 | 91,183 | 88,344 | 2,839 |
| Operation of Non-Instructional Services | 17,602 | 18,091 | 17,940 | 151 |
| Extracurricular Activities | 293,700 | 324,828 | 290,898 | 33,930 |
| Capital Outlay | 0 | 147,400 | 147,321 | 79 |
| <i>Total Expenditures</i> | <u>20,287,911</u> | <u>20,593,502</u> | <u>20,230,911</u> | <u>362,591</u> |
| Excess of Revenues Over Expenditures | <u>934,773</u> | <u>747,907</u> | <u>1,112,164</u> | <u>364,257</u> |
| Other Financing Uses | | | | |
| Transfers Out | <u>(280,242)</u> | <u>(280,242)</u> | <u>(280,242)</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | 654,531 | 467,665 | 831,922 | 364,257 |
| <i>Fund Balance Beginning of Year</i> | 3,570,435 | 3,570,435 | 3,570,435 | 0 |
| Prior Year Encumbrances Appropriated | <u>196,574</u> | <u>196,574</u> | <u>196,574</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$4,421,540</u> | <u>\$4,234,674</u> | <u>\$4,598,931</u> | <u>\$364,257</u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2015

| | Governmental Activity |
|---|--------------------------|
| | Internal Service Fund |
| Current Assets | |
| Cash and Cash Equivalents with Fiscal Agent | \$4,890,395 |
| Accounts Receivable | 97,549 |
| Total Current Assets | 4,987,944 |
| Current Liabilities | |
| Claims Payable | 441,807 |
| Net Position | |
| Unrestricted | 4,546,137 |
| <i>Total Net Position</i> | \$4,546,137 |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

| | <u>Governmental Activity</u> <u>Internal Service Fund</u> |
|---------------------------------------|--|
| Operating Revenues | |
| Charges for Services | \$3,270,080 |
| Other Revenues | <u>26,647</u> |
| <i>Total Operating Revenues</i> | <u>3,296,727</u> |
| Operating Expenses | |
| Purchased Services | 545,156 |
| Claims | <u>3,043,610</u> |
| <i>Total Operating Expenses</i> | <u>3,588,766</u> |
| <i>Operating Loss</i> | (292,039) |
| Non-Operating Revenues | |
| Interest | <u>55,012</u> |
| <i>Change in Net Position</i> | (237,027) |
| <i>Net Position Beginning of Year</i> | <u>4,783,164</u> |
| <i>Net Position End of Year</i> | <u><u>\$4,546,137</u></u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2015

| | <u>Governmental Activity</u> <u>Internal Service Fund</u> |
|---|--|
| Increase (Decrease) in Cash and Cash Equivalents | |
| Cash Flows from Operating Activities | |
| Cash Received from Interfund Services Provided | \$3,270,080 |
| Cash Payments for Services | (545,156) |
| Cash Payments for Claims | (3,897,429) |
| Cash Received from Other Operating Revenues | <u>937,595</u> |
| <i>Net Cash Used for Operating Activities</i> | <u>(234,910)</u> |
| Cash Flows from Investing Activities | |
| Interest | <u>55,012</u> |
| <i>Net Cash Provided by Investing Activities</i> | <u>55,012</u> |
| <i>Net Decrease in Cash and Cash Equivalents</i> | (179,898) |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>5,070,293</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u><u>\$4,890,395</u></u> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities | |
| Operating Loss | (\$292,039) |
| Increase in Account Receivable | (97,549) |
| Increase in Claims Payable | <u>154,678</u> |
| <i>Net Used for by Operating Activities</i> | <u><u>(\$234,910)</u></u> |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

| | Private Purpose Trust Funds | Agency |
|--|--------------------------------|----------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$261,214 | \$66,099 |
| Investments | 72,313 | 0 |
| <i>Total Assets</i> | 333,527 | \$66,099 |
| Liabilities | | |
| Due to Students | 0 | \$66,099 |
| Net Position | | |
| Held in Trust for Scholarships | 333,527 | |
| <i>Total Net Position</i> | \$333,527 | |

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

| | Private Purpose Trust Funds |
|---------------------------------------|--------------------------------|
| Additions | |
| Contributions and Donations | \$46,373 |
| Investment Income | 2,293 |
| Total Additions | 48,666 |
| Deductions | |
| Scholarships Awarded | 65,550 |
| <i>Net Change in Fund Balance</i> | (16,884) |
| <i>Net Position Beginning of Year</i> | 350,411 |
| <i>Net Position End of Year</i> | \$333,527 |

See accompanying notes to the basic financial statements

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1838. The School District serves an area of 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 89 non-certificated employees, 145 certificated full-time and 11 certificated part-time teaching personnel, and 17 full time and 2 part-time administrative employees who provide services to 2,456 students and other community members. The School District currently operates 3 elementary schools, 1 middle school, 1 high school, 1 administrative center, and 1 athletic training facility.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit. The following activity is included within the reporting entity:

Parochial Schools: Within the School District boundaries, Bishop John King Mussio Elementary, Bishop John King Mussio Central Junior High, and Catholic Central High School are operated through the Steubenville Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected as a governmental activity and as part of the non-major governmental funds for financial reporting purposes.

The School District is involved with the Jefferson County Joint Vocational School, Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), and the Coalition of Rural and Appalachian Schools (CORAS), which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan which is defined as an insurance purchasing pool, and the Jefferson Health Plan Self-Insurance Plan, formerly known as the Ohio-Mid Eastern Regional Educational Service Agency Self-Insurance Plan, which is defined as a risk-sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 17 and 18 to the financial statements.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Steubenville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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 Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The 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 Position presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

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

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

Building Fund - The Building Fund is used to account for the locally funded initiative of a school facilities project through the Ohio School Facilities Commission, as well as for the proceeds of qualified zone academy bonds that were issued for various projects throughout the School District.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the local and state share of a school facilities project administered through the Ohio School Facilities Commission. The local share of the project was funded through qualified zone academy bond proceeds.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net position.

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The Private Purpose Trust Fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the Governmental Fund Financial Statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, contributions and donations, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension related to pension are reported on the government-wide statement of Net Position. See Note 11 for more information.

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

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

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

F. 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."

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Investments in Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes and common stock are reported at fair value, which is based on quoted market prices. Mutual funds and money market mutual funds are reported at current share value.

During fiscal year 2015, investments were limited to mutual funds, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, common stock and non-negotiable Certificates of Deposit.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$8,457, which includes \$ 6,378, 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 equity in pooled cash and cash equivalents. The School District reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in the fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

G. 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 governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments, amounts required by State Statute to be set-aside by the School District for budget stabilization, and amounts withheld on construction contracts until the successful completion of the contract. See Note 19 for additional information regarding set-asides. Restricted assets have also been recorded for the portion of the Classroom Facilities equity in pooled cash and cash equivalents that is due to be repaid to the Ohio School Facilities Commission (OSFC), and due to the debt service fund due to the OSFC closeout.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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.

I. Inventory

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

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

reporting of assets by back trending (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 capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. 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 |
| Construction in Progress | N/A |
| Land Improvements | 20 Years |
| Buildings and Improvements | 20 - 50 Years |
| Furniture and Equipment | 5-20 Years |
| Vehicles | 8 Years |

K. 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 Position.

L. 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. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

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 compensated absence 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.

M. 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,

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

N. Bond Premiums, Bond Discounts, and Bond Issuance Costs

On the government wide financial statements, bond insurance premiums, bond premiums and bond discounts are 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. On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

O. Internal Activity

Transfers within government activities on the government-wide financial statements are reported in the same manner as general revenue.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Board of Education to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Q. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include local resources to be used for student programs

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

S. 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. There were no special items in 2015.

T. 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.

U. Budgetary Data

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

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3– CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCE

A. Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

| | |
|--|--------------|
| Net Position June 30, 2014 | \$54,801,944 |
| Adjustments: | |
| Net Pension Liability | (29,338,370) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 1,423,071 |
| Restated Net Position June 30, 2014 | \$26,886,645 |

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

B. Restatement of Fund Balance

In prior years, the Classroom Facilities Fund has been reported as a non-major fund. At June 30, 2015, the Classroom Facilities Fund will be presented as a major fund. The restatement had no effect on the total beginning fund balance for governmental funds. The prior year fund balance is presented as a reconciling item in the table below for comparability between years.

| | Major Fund | Other |
|-------------------------------------|-----------------|--------------|
| | Classroom | Governmental |
| | Facilities Fund | Funds |
| Fund Balance June 30, 2014 | \$0 | \$5,105,970 |
| Restatement, Fund Reclassification | 1,726,173 | (1,726,173) |
| Restated Fund Balance June 30, 2014 | \$1,726,173 | \$3,379,797 |

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Net Change in Fund Balance

| | <u>General</u> |
|----------------------|-------------------------|
| GAAP Basis | \$1,379,384 |
| Revenue Accruals | (229,156) |
| Expenditure Accruals | (22,905) |
| Encumbrances | <u>(295,401)</u> |
| Budget Basis | <u><u>\$831,922</u></u> |

NOTE 5 - 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.

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;

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 (STAR Ohio);
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, 2015, the School District's internal service fund had a balance of \$4,890,395 with Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 18). 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 Jefferson Health Plan 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 Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

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, the bank balance was \$12,611,245. Of the bank balance \$500,000 was covered by Federal depository insurance and the remaining balance of \$12,111,245 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, non-compliance with Federal requirements could potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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, 2015, the School District had the following investments: Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, mutual funds that are held by a Fiscal Agent for future Debt Service, and mutual funds and stocks that are donated assets which are held for the private purpose trust fund.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

| | Fair Value | Maturity | Percent of Total Investments | Rating | Rating Agency |
|--|--------------------|------------|------------------------------------|--------|------------------|
| Mutual Funds | \$2,560 | N/A | 0.08% | Aaa | Moody's |
| Mutual Funds | 19,733 | N/A | 0.65% | ** | N/A |
| Common Stock | 3,169 | N/A | 0.10% | Baa1 | Moody's |
| Common Stock | 16,995 | N/A | 0.56% | Baa2 | Moody's |
| Common Stock | 7,979 | N/A | 0.26% | Baa3 | Moody's |
| Common Stock | 40 | N/A | 0.00% | Ba3 | Moody's |
| Common Stock | 21,907 | N/A | 0.72% | Aa3 | Moody's |
| Common Stock | 2,490 | N/A | 0.08% | ** | N/A |
| Federal Home Loan Mortgage Corporation Note | 427,722 | 12/30/2015 | 13.97% | Aaa | Moody's |
| Federal Home Loan Bank Note | 2,558,872 | 8/17/2015 | 83.58% | Aaa | Moody's |
| Totals | \$3,061,467 | | 100.00% | | |

** Not available to the School District at June 30, 2015.

Interest Rate Risk. The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity.

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. The credit ratings for the School District's securities are listed above. Ohio law requires money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices. The investments in mutual funds and common stock are donated investments, and were not purchased by the School District.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's 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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Property taxes include amounts levied against all real, and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State Statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2015 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 reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2015 was \$650,665 in the General Fund, \$180,594 in the Debt Service Fund, and \$13,977 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2014 was \$439,638 in the General Fund, \$122,024 in the Debt Service Fund, and \$9,444 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

| | 2014 Second Half Collections | | 2015 First Half Collections | |
|--|---------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Real Estate | \$149,644,810 | 92.89% | \$151,388,460 | 92.05% |
| Public Utility Personal | 11,459,270 | 7.11% | 13,080,120 | 7.95% |
| | \$161,104,080 | 100.00% | \$164,468,580 | 100.00% |
| Tax Rate per \$1,000 of assessed valuation | | \$35.35 | | \$35.35 |

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes, tuition and fees, intergovernmental grants, accounts, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,370,065 may not be collected within one year. As part of the 2014 QZAB issuance, the School District has contributions from an outside source in the amount of \$825,300 that is scheduled to be contributed over a three year period. Of the total, \$550,200 is not scheduled to 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:

| Governmental Activities: | Amounts |
|--|----------------|
| Title I Grant | \$160,619 |
| Race to the Top Grant | 8,223 |
| Title II A Grant | 30,033 |
| IDEA B Grant | 67,838 |
| Public Preschool Grant | 20,641 |
| Parent Mentor Grant | 4,808 |
| Fiscal Year 2015 Foundation Adjustment | 17,149 |
| Excess Costs from Other School Districts | 199,285 |
| Total Intergovernmental Receivable | \$508,596 |

NOTE 8 – INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2015 consisted of the following individual interfund receivables and payables:

| <u>Interfund Payable</u> | Interfund Receivable | | Totals |
|-----------------------------|----------------------|-------------------|-----------|
| | General Fund | Debt Service Fund | |
| Building Fund | \$0 | \$447,576 | \$447,576 |
| Other Nonmajor Governmental | 8,223 | 0 | 8,223 |
| Totals | \$8,223 | \$447,576 | \$455,799 |

The loan made to the Race to the Top Special Revenue Fund was made to support the programs until grant monies are received to operate the programs. The balance due to the Debt Service Fund from the Building Fund is due to the Ohio School Facilities Commission closeout agreement.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

B. Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

| <u>Transfer from</u> | <u>Transfer to</u> |
|----------------------|-------------------------|
| | <u>Debt Service</u> |
| General Fund | \$280,242 |
| Building Fund | 447,576 |
| Totals | <u><u>\$727,818</u></u> |

Transfers were used to move receipts from the General Fund to the Debt Service Fund for the annual debt service sinking payments to the QZAB debt service escrow accounts and for annual debt service principal payment for the 2014 QZAB. See Long-Term Obligations Note 15 for further details. The transfer from the Building Fund to the Debt Service Fund is due to the Ohio School Facilities Commission closeout agreement.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

| | Balance 6/30/14 | Additions | Deletions | Balance 6/30/15 |
|--|----------------------------|-------------------------|-----------------------------|----------------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$5,447,487 | \$55,000 | \$0 | \$5,502,487 |
| Construction in Progress | 1,054,592 | 465,517 | (1,054,592) | 465,517 |
| Total Nondepreciable Capital Assets | <u>6,502,079</u> | <u>520,517</u> | <u>(1,054,592)</u> | <u>5,968,004</u> |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 2,823,237 | 50,018 | 0 | 2,873,255 |
| Buildings and Improvements | 53,232,988 | 1,898,437 | 0 | 55,131,425 |
| Furniture and Equipment | 3,897,471 | 149,223 | 0 | 4,046,694 |
| Vehicles | 1,349,011 | 76,005 | 0 | 1,425,016 |
| Total Depreciable Capital Assets | <u>61,302,707</u> | <u>2,173,683</u> | <u>0</u> | <u>63,476,390</u> |
| Accumulated Depreciation: | | | | |
| Land Improvements | (1,748,868) | (143,006) | 0 | (1,891,874) |
| Buildings and Improvements | (16,436,863) | (1,545,095) | 0 | (17,981,958) |
| Furniture and Equipment | (2,524,328) | (317,458) | 0 | (2,841,786) |
| Vehicles | (1,022,560) | (68,188) | 0 | (1,090,748) |
| Total Accumulated Depreciation | <u>(21,732,619)</u> | <u>(2,073,747)</u> | <u>0</u> | <u>(23,806,366)</u> |
| Total Depreciable Capital Assets, Net | <u>39,570,088</u> | <u>99,936</u> | <u>0</u> | <u>39,670,024</u> |
| Governmental Capital Assets, Net | <u><u>\$46,072,167</u></u> | <u><u>\$620,453</u></u> | <u><u>(\$1,054,592)</u></u> | <u><u>\$45,638,028</u></u> |

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Depreciation expense was charged to governmental activities as follows:

| | |
|------------------------------------|---------------------------|
| Instruction: | |
| Regular | \$927,239 |
| Special | 206,696 |
| Vocational | 150,713 |
| Support Services: | |
| Pupil | 47,911 |
| Instructional Staff | 127,993 |
| Administration | 206,690 |
| Fiscal | 17,018 |
| Operation of Maintenance and Plant | 121,444 |
| Pupil Transportation | 49,212 |
| Extracurricular | 160,406 |
| Non Instructional Services | 21,015 |
| Food Service Operations | 37,410 |
| Total Depreciation Expense | <u><u>\$2,073,747</u></u> |

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracts with McBane Insurance Agency for general liability, errors and omissions, property, and fleet insurance. The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$2,500 deductible with total coverage of \$82,110,324. The fleet coverage has limits of liability of \$1,000,000 for each accident and \$5,000 medical payments for each accident.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

Medical/surgical, prescription drug, life and dental insurance are offered to employees through a self-insurance internal service fund. The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool, consisting of over one hundred members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical/surgical coverage is based on a usual, customary, and reasonable claim plan. There is a \$200 annual deductible per single or \$400 annual deductible per family for this portion of the coverage. Premiums for this coverage are \$596.22 for individual coverage per month and \$1,388.56 for family coverage per month, employees contributing \$20 a month for single coverage and \$45 a month for family coverage, with the Board paying the balance of the premium. The premium is paid from the fund that pays the salary of the covered employee. Prescription drug premiums are \$187.29 for individual coverage per month and \$436.19 for family coverage per month which the Board of Education is paying 100 percent of the total premium. Premiums for the dental coverage are \$30.96 for individual coverage per month and \$72.09 for family coverage per month which the Board of Education is paying 100 percent of the total premium.

Steubenville City School District
Notes to the Basic Financial Statements
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The claims liability of \$441,807 reported in the internal service fund at June 30, 2015 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>Balance at Beginning of Year</u> | <u>Current Year Claims</u> | <u>Claim Payments</u> | <u>Balance at End of Year</u> |
|--------------------------------------|---|--------------------------------|---------------------------|-----------------------------------|
| 2014 | \$284,233 | \$2,275,641 | \$2,272,745 | \$287,129 |
| 2015 | 287,129 | 3,141,159 (1) | 2,986,481 (2) | 441,807 |
| (1) Claims Expense | | | \$3,043,610 | |
| + Stop Loss Receivable | | | 97,549 | |
| Current Year Claims | | | <u>\$3,141,159</u> | |
| (2) Cash Payments for Claims | | | | \$3,897,429 |
| - Stop Loss Received for 2015 Claims | | | | <u>(910,948)</u> |
| Claims Payments | | | | <u>\$2,986,481</u> |

For fiscal year 2015 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions— between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Steubenville City School District
Notes to the Basic Financial Statements
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Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of employer school district, because (1) they benefit from employee services; and (2) State Statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State Statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about the SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017* | Eligible to Retire on or after August 1, 2017 |
|---------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Steubenville City School District
Notes to the Basic Financial Statements
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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$310,319 for fiscal year 2015. The full amount has been contributed for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the

Steubenville City School District
Notes to the Basic Financial Statements
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defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore as included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before services retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,211,039 for fiscal year 2015. Of this amount \$206,432 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$3,503,184 | \$21,173,790 | \$24,676,974 |
| Proportion of the Net Pension Liability | 0.06922000% | 0.08705089% | |
| Pension Expense | \$204,432 | \$809,391 | \$1,013,823 |

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Stuebenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------------|---------------------------|---------------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$29,816 | \$203,844 | \$233,660 |
| School District contributions subsequent to measurement date | <u>310,319</u> | <u>1,211,039</u> | <u>1,521,358</u> |
| Total Deferred Outflows of Resources | <u><u>\$340,135</u></u> | <u><u>\$1,414,883</u></u> | <u><u>\$1,755,018</u></u> |

Deferred Inflows of Resources

| | | | |
|--|------------------|--------------------|--------------------|
| Net difference between projected and actual earnings on pension plan investments | <u>\$568,577</u> | <u>\$3,917,231</u> | <u>\$4,485,808</u> |
|--|------------------|--------------------|--------------------|

\$1,521,358 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | (\$134,615) | (\$928,347) | (\$1,062,962) |
| 2017 | (134,615) | (928,347) | (1,062,962) |
| 2018 | (134,615) | (928,347) | (1,062,962) |
| 2019 | <u>(134,916)</u> | <u>(928,346)</u> | <u>(1,063,262)</u> |
| Total | <u><u>(\$538,761)</u></u> | <u><u>(\$3,713,387)</u></u> | <u><u>(\$4,252,148)</u></u> |

Actuarial Assumption - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4 percent to 22 percent |
| COLA or ad hoc COLA | 3 percent |
| Investment Rate of Return | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.00 % |
| US Stocks | 22.50 | 5.00 |
| Non-US Stocks | 22.50 | 5.50 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 10.00 |
| Real Assets | 10.00 | 5.00 |
| Multi-Asset Strategies | 15.00 | 7.50 |
| Total | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State Statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a

Steubenville City School District
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discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$4,998,004 | \$3,503,184 | \$2,245,913 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|---|
| Inflation | 2.75 percent |
| Projected Salary Increases | 2.75 percent at age 70 to 12.25 percent at age 20 |
| Investment Rate of Return | 7.75 percent, net of investment expenses |
| Cost-of-Living-Adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study effective July 1, 2012.

The ten year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described

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above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all period of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$30,312,588 | \$21,173,790 | \$13,445,441 |

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, 2015, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a

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health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. During fiscal year 2015, the School District paid \$26,825 in surcharge.

The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$3,222, \$2,725, and \$4,233 respectively; 100 percent has been contributed for fiscal years 2015, 2014, and 2013.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307, authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$89,774 and \$93,052 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

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B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Consumer Life Insurance Company in the amount of \$25,000 per employee. The monthly premium is \$3.75 and the School District pays 100 percent of the premium.

NOTE 14 – OHIO SCHOOL FACILITIES PROJECT LIABILITY

In prior years, the School District participated in the Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program for construction and renovation of School District facilities. The School District has signed a Certificate of Completion of the Project Agreement with the Ohio Facilities Construction Commission (OFCC) for a project close-out. As of June 30, 2015, the School District anticipates the repayment of \$1,829,053 to the OSFC. As of the date of the financial statements, no payments have been made from the School District to the OFCC. See Subsequent Event Note 21 for further details.

NOTE 15 - COMMITMENTS

A. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

| | |
|------------------------------------|-------------------------|
| Major Funds: | |
| General | \$295,401 |
| Building | 25,189 |
| Other Non-Major Governmental Funds | <u>517,247</u> |
| Total | <u><u>\$837,837</u></u> |

Steubenville City School District
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NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

| | Principal | | | Principal | |
|---|---------------------|------------------|--------------------|---------------------|--------------------|
| | Outstanding | | | Outstanding | Amounts |
| | 6/30/14 | Additions | Deductions | 6/30/15 | Due In |
| | | | | One Year | |
| <i>1998 Refunding Bonds, \$10,515,000</i> | | | | | |
| Term Bonds, \$8,130,000 @ 3.5%-5.25% | \$2,010,000 | \$0 | \$660,000 | \$1,350,000 | \$695,000 |
| <i>2000 School Facilities Bonds, \$3,640,000</i> | | | | | |
| Capital Appreciation Bonds, \$285,000 @ 5.25%-5.5% | 64,492 | 0 | 64,492 | 0 | 0 |
| Accretion of Interest, \$395,000 @ 7.022%-7.185% | 100,159 | 5,349 | 105,508 | 0 | 0 |
| <i>2005 Qualified Zone Academy Bonds, \$3,930,240 @ 0%</i> | 3,930,240 | 0 | 0 | 3,930,240 | 0 |
| <i>2007 Qualified Zone Academy Bonds, \$700,000 @ 0%</i> | 700,000 | 0 | 0 | 700,000 | 0 |
| <i>2014 Qualified Zone Academy Bonds, \$2,750,000 @ 0%</i> | 2,750,000 | 0 | 137,500 | 2,612,500 | 137,500 |
| <i>2011 Refunding Bonds, \$2,090,000</i> | | | | | |
| Serial Bonds, \$2,015,000 @ 1.0%-3.70% | 1,705,000 | 0 | 100,000 | 1,605,000 | 265,000 |
| Capital Appreciation Bonds \$75,000 @ 3.0% | 75,000 | 0 | 0 | 75,000 | 0 |
| Accretion of Interest \$195,000 @ 22.50% | 68,151 | 34,094 | 0 | 102,245 | 0 |
| Premium - \$144,324 | 108,243 | 0 | 12,027 | 96,216 | 0 |
| Total Bonds | 11,511,285 | 39,443 | 1,079,527 | 10,471,201 | 1,097,500 |
| Net Pension Liability * | 29,338,370 | 0 | 4,661,396 | 24,676,974 | 0 |
| Compensated Absences | 1,057,664 | 162,088 | 108,473 | 1,111,279 | 138,154 |
| Total Long-Term Obligations | <u>\$41,907,319</u> | <u>\$201,531</u> | <u>\$5,849,396</u> | <u>\$36,259,454</u> | <u>\$1,235,654</u> |

*- For additional information related to the net pension liability, see Note 11.

1998 Refunding General Obligation Bonds - On September 30, 1998, the School District issued \$10,515,000 in general obligation bonds. The bonds refunded \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2022. Principal outstanding at June 30, 2015 amounted to \$1,350,000 on the term bonds.

The 1998 bond issue consists of serial, term, and capital appreciation bonds. The term bonds maturing on December 1, 2016 are subject to mandatory sinking fund redemption at 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption on December 1 in the years and in the respective principal amounts as follows:

| <u>Date</u> | <u>to be Redeemed</u> |
|-------------|-----------------------|
| 2012 | \$600,000 |
| 2013 | 625,000 |
| 2014 | 660,000 |
| 2015 | 695,000 |

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

The capital appreciation bonds for this issue matured December 1, 2012. These bonds were purchased at a substantial discount at the time of issuance. The CAB's were issued at \$512,935 and were fully accreted to the face value of \$1,195,000. At maturity, in fiscal year 2012, all compounded interest was paid and the bond holder received the face value of the bond. There are no outstanding capital appreciation bonds at June 30, 2015.

Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2015 are as follows:

| | Term Bonds | |
|-------------|-------------|----------|
| Fiscal Year | Principal | Interest |
| 2016 | \$695,000 | \$52,632 |
| 2017 | 655,000 | 17,194 |
| Totals | \$1,350,000 | \$69,826 |

2000 School Facilities General Obligation Bonds - On November 1, 2000, the School District issued \$3,640,000 in voted general obligation bonds which included serial, term and capital appreciation bonds to pay the local share of the school construction project under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. During fiscal year 2011, the School District made the scheduled repayment of serial bonds in the amount of \$170,000, and refunded \$1,655,000 of the term bonds. The refunded portion of the bonds was removed from the financial statements of the School District, as they were called and fully repaid.

During 2015, the remaining capital appreciation bonds were fully repaid

2005 Qualified Zone Academy Bonds – On August 21, 2005, the School District issued \$3,930,240 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District's local share of renovations to the High School and Garfield Elementary School through the Ohio School Facilities Commission. The QZAB matures in 2021, with the entire principal balance coming due at maturity. The QZAB does not bear interest. To satisfy fiscal agent requirements of the program, the School District placed \$1.0 million in a debt service sinking fiscal agent account for future payment of the bonds with US Bank, the fiscal agent. The fiscal agent account will be invested with all of the proceeds to be used for the final payoff of the bonds in 2021. Along with the investment earnings of the fiscal agent account, the School District is required to place \$120,810, annually into the debt service sinking fiscal agent account that will be used for the final bond repayment in 2021. The value of the fiscal agent account is recorded as restricted investments with fiscal agents in the debt service fund.

2007 Qualified Zone Academy Bonds – On August 17, 2007, the School District issued \$700,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District's locally funded portion of renovations of the High School theater/auditorium through the Ohio School Facilities Commission. The QZAB matures in 2022, with the entire principal balance coming due at maturity. The QZAB does not bear interest. To satisfy fiscal agent requirements of the program, the School District placed \$175,000 in a debt service sinking fiscal agent account for future payment of the bonds with US Bank, the fiscal agent. The fiscal agent account will be invested with all of the proceeds to be used for the final payoff of the bonds in

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2022. Along with the investment earnings of the fiscal agent account, the School District is required to place \$21,932, annually into the debt service sinking fiscal agent account that will be used for the final bond repayment in 2022. The value of the fiscal agent account is recorded as restricted investments with fiscal agents in the debt service fund.

2014 Qualified Zone Academy Bonds – On May 29, 2014, the School District issued \$2,750,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), to be used to fund Electro Retro Fit projects throughout the School District and the SCS STEM Education Academy. Unlike the previously issued QZAB’s, the bonds come due annually and are subject to annual debt service requirements. The QZAB does not bear interest.

| Fiscal Year | Principal |
|-------------|-------------|
| 2016 | \$137,500 |
| 2017 | 137,500 |
| 2018 | 137,500 |
| 2019 | 137,500 |
| 2020 | 137,500 |
| 2021-2025 | 687,500 |
| 2026-2030 | 687,500 |
| 2031-2034 | 550,000 |
| Totals | \$2,612,500 |

2011 Refunding General Obligation Bonds - On May 19, 2011, the School District issued \$2,090,000 of general obligation bonds. The bonds were issued to fully refund \$435,000 of outstanding 1993 Steubenville High School Addition and Improvement Series A General Obligation Bonds and to partially refund \$1,655,000 of 2000 School Facilities General Obligation Bonds. The bonds were issued for a 12 year period with final maturity at December 1, 2022. At the date of refunding, \$2,166,484 (including premium and after underwriting fees, and other issuance costs) was used to call and fully repay all refunded bonds.

As part of the original 2000 School Facilities General Obligation Bond Issue, the School District also passed a half-mill levy for the maintenance of the new building. The half-mill levy continues to be collected.

These refunding bonds were issued with a premium of \$144,324, which is reported as an increase to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$76,484, which was fully recognized in fiscal year 2011 as all refunded bonds were called and fully repaid.

The 2011 bond issue consists of serial and capital appreciation bonds, \$2,015,000, and \$75,000, respectively. The capital appreciation bonds for this issue mature December 1, 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$270,000. Principal and accretion outstanding at June 30, 2015 amounted to \$177,245, including current year accretion of \$34,094.

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Principal and Interest requirements to retire the 2011 Refunding General Purpose Bonds outstanding at June 30, 2015 are as follows:

| Fiscal Year | Serial Bonds | | Capital Appreciation Bonds | | Total | |
|-------------|--------------------|------------------|----------------------------|------------------|--------------------|------------------------|
| | Principal | Interest | Principal | Accretion | Principal | Accretion/ Interest |
| 2016 | \$265,000 | \$45,160 | \$0 | \$0 | \$265,000 | \$45,160 |
| 2017 | 0 | 42,512 | 75,000 | 195,000 | 75,000 | 237,512 |
| 2018 | 270,000 | 39,002 | 0 | 0 | 270,000 | 39,002 |
| 2019 | 205,000 | 32,519 | 0 | 0 | 205,000 | 32,519 |
| 2020 | 205,000 | 26,343 | 0 | 0 | 205,000 | 26,343 |
| 2021-2023 | 660,000 | 36,290 | 0 | 0 | 660,000 | 36,290 |
| Totals | <u>\$1,605,000</u> | <u>\$221,826</u> | <u>\$75,000</u> | <u>\$195,000</u> | <u>\$1,680,000</u> | <u>\$416,826</u> |

The School District's overall legal debt margin was \$13,255,679 with an unvoted debt margin of \$164,469 at June 30, 2015.

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Jefferson County Joint Vocational School – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2015, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council) - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2015, the total amount paid to OME-RESA from the School District was \$1,984 for cooperative gas purchasing services administrative fees, \$20,358 for technology services and \$61,828 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 136 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 Coalition 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 Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2015.

NOTE 18 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee of \$6,295 for policy year 2015 was paid to Comp Management Inc.

B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool

The Jefferson Health Plan Self-Insurance Plan – The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS

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 acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

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

| | Capital Improvements | Budget Stabilization |
|--|-------------------------|-------------------------|
| Set-aside Restricted Balance as of June 30, 2014 | \$0 | \$85,496 |
| Current Year Set-aside Requirement | 389,256 | 0 |
| Current Year Offsets | (129,473) | 0 |
| Current Year Qualifying Expenditures | (381,503) | 0 |
| Totals | (\$121,720) | \$85,496 |
| Balance Carried Forward to Fiscal Year 2016 | \$0 | \$0 |
| Set-aside Restricted Balance as of June 30, 2015 | \$0 | \$85,496 |

The School District had offsets and qualifying expenditures during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years. The School District also had prior year and current year capital expenditures from debt proceeds in connection with a capital project that may be carried forward to offset future set-aside requirements.

The total restricted balance for the set asides at June 30, 2015 was \$85,496.

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

B. State Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not fully determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District

C. Litigation

The School District is currently not party to legal proceedings.

NOTE 21 – SUBSEQUENT EVENTS

A. Investments

On August 17, 2015, the \$2,559,000 Federal Home Loan Bank Discount Note held by the School District matured. The School District subsequently purchased a \$2,716,000 par value Federal Home Loan Mortgage Corporation Discount Note at 99.88 percent for \$2,712,686, which has a maturity date of February 16, 2016, and carries a credit rating of Aaa.

B. 2005 Qualified Zone Academy Bonds

The School District made the required annual debt service sinking escrow payment and deposited in the Debt Service Escrow account in the amount of \$120,810 on August 5, 2015.

C. Ohio School Facilities Project Closeout

The School District has signed a Certificate of Completion of the Project Agreement with the Ohio Facilities Construction Commission (OFCC) for a project closeout on January 26, 2016. The agreement calls for repayment of funds to the OFCC as well as to other School District Funds to finalize the project (see Note 14). As of the date of the financial statements, no payments have been made to the OFCC.

**Required
Supplementary
Information**

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Steubenville City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)(2)

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| School District's Proportion of the Net Pension Liability | 0.069220% | 0.069220% |
| School District's Proportionate Share of the Net Pension Liability | \$3,503,184 | \$4,116,291 |
| School District's Covered-Employee Payroll | \$2,011,385 | \$2,007,962 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 174.17% | 205.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.70% | 65.52% |

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

Steubenville City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)(2)

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.08705089% | 0.08705089% |
| School District's Proportionate Share of the Net Pension Liability | \$21,173,790 | \$25,222,079 |
| School District's Covered-Employee Payroll | \$8,802,254 | \$8,873,264 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 240.55% | 284.25% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 69.30% |

(1) Information prior to 2013 is not available.

(2) Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

Steubenville City School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$310,319 | \$278,778 | \$277,902 | \$263,375 |
| Contributions in Relation to the Contractually Required Contribution | <u>(310,319)</u> | <u>(278,778)</u> | <u>(277,902)</u> | <u>(263,375)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered-Employee Payroll | \$2,354,469 | \$2,011,385 | \$2,007,962 | \$1,958,181 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.18% | 13.86% | 13.84% | 13.45% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$223,241 | \$292,151 | \$202,027 | \$172,736 | \$183,846 | \$202,902 |
| <u>(223,241)</u> | <u>(292,151)</u> | <u>(202,027)</u> | <u>(172,736)</u> | <u>(183,846)</u> | <u>(202,902)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,775,986 | \$2,157,692 | \$2,053,124 | \$1,759,017 | \$1,721,404 | \$1,917,788 |
| 12.57% | 13.54% | 9.84% | 9.82% | 10.68% | 10.58% |

Steubenville City School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contribution | \$1,211,039 | \$1,144,293 | \$1,153,524 | \$1,220,237 |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,211,039)</u> | <u>(1,144,293)</u> | <u>(1,153,524)</u> | <u>(1,220,237)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| School District Covered-Employee Payroll | \$8,650,279 | \$8,802,254 | \$8,873,264 | \$9,386,436 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 13.00% | 13.00% | 13.00% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$1,236,433 | \$1,208,788 | \$1,212,880 | \$1,200,300 | \$1,211,103 | \$1,171,177 |
| <u>(1,236,433)</u> | <u>(1,208,788)</u> | <u>(1,212,880)</u> | <u>(1,200,300)</u> | <u>(1,211,103)</u> | <u>(1,171,177)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$9,511,021 | \$9,298,371 | \$9,329,843 | \$9,233,079 | \$9,316,179 | \$9,009,050 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

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**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2015**

| Federal Grantor/Pass Through Grantor Program Title | Pass-Through Entity No. | Federal CFDA No. | Receipts | Expenditures |
|--|------------------------------------|-----------------------------|----------------------|----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster | | | | |
| Non Cash Assistance: | | | | |
| National School Lunch Program | 04-PU-15 | 10.555 | 60,212 | 60,212 |
| Cash Assistance: | | | | |
| National School Lunch Program | 04-PU-15 | 10.555 | 868,945 | 868,945 |
| National School Breakfast Program | 05-PU-15 | 10.553 | 403,302 | 403,302 |
| Cash Assistance Subtotal | | | <u>1,272,247</u> | <u>1,272,247</u> |
| Nutrition Cluster (Cash and Non-Cash) | | | 1,332,459 | 1,332,459 |
| Total U.S. Department of Agriculture | | | 1,332,459 | 1,332,459 |
| Direct Funding from the U.S. Department of Education | | | | |
| Impact Aid | 2015 | 84.041 | 8,138 | 8,138 |
| U.S. Department of Education | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Title I - Grants to Local Educational Agencies (ESEA Title I) | C1-S1-2014 C1-S1-2015 | 84.010 | 136,603 1,059,733 | 136,603 1,059,733 |
| Title I D Delinquent | C1-SD-2014 C1-SD-2015 | | 13,024 63,699 | 13,024 63,699 |
| Total Title I - Grants to Local Education Agencies | | | <u>1,273,059</u> | <u>1,273,059</u> |
| Special Education Cluster: | | | | |
| Special Education Grants to States (IDEA Part B) | 6B-SF-2014 6B-SF-2015 | 84.027 | 66,053 551,321 | 66,053 551,321 |
| Special Education - Preschool Grant | PG-S1-2014 PG-S1-2015 | 84.173 | 3,231 27,882 | 3,231 27,882 |
| Total Special Education Cluster | | | <u>648,487</u> | <u>648,487</u> |
| Title II-A Improving Teacher Quality Program | TR-S1-2014 TR-S1-2015 | 84.367 | 28,828 174,701 | 28,828 174,701 |
| | | | 203,529 | 203,529 |
| I 3 Grant | 2015 | 84.411 | <u>10,776</u> | <u>19,000</u> |
| Total I 3 Grant | | | 10,776 | 19,000 |
| Total Department of Education | | | <u>2,143,989</u> | <u>2,152,213</u> |
| Total Federal Awards | | | <u>\$3,476,448</u> | <u>\$3,484,672</u> |

See the notes to the Schedule of Federal Awards Receipts and Expenditures.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Steubenville City School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Steubenville City School District
Jefferson County
P.O. Box 189
Steubenville, Ohio 43952

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2016. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement (GASB) 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Steubenville City School District
Jefferson County
P.O. Box 189
Steubenville, Ohio 43952

To the Board of Education:

Report on Compliance for The Major Federal Program

We have audited the Steubenville City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Steubenville City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Steubenville City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 17, 2016

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any 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 weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Title I Grant CFDA # 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

None

3.FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

STEUBENVILLE CITY SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2016**