



Dave Yost • Auditor of State

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY
JUNE 30, 2017**

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**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY
JUNE 30, 2017**

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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 the Steubenville City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2017, 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 such 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 the Steubenville City School District, Jefferson County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, 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 Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018, 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.



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Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2018

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Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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, 2017. 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 2017 are as follows:

- Net position of governmental activities increased \$688,013.
- General revenues accounted for \$18,418,809 in revenue or approximately 60 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$12,059,936 or approximately 40 percent of total revenues of \$30,478,745.
- Total assets increased \$97,397 primarily due to increases in capital assets, which were offset by decreases in current and other assets. Total liabilities increased \$5,469,949 primarily due to an increase in the School District's net pension liability.
- The School District had \$30,614,169 in expenses related to governmental activities; only \$12,059,936 of these expenses were offset by program specific charges for services and operating grants and contributions, and capital grants and contributions. General revenues of \$18,418,809 were not adequate to provide for these programs.
- The School District reported a special item in the amount of \$823,437 following the dissolution of Steubenville City Schools Education Foundation, Inc. See Note 20 for further information regarding the special item.
- Total Governmental funds had \$30,725,068 in revenues and \$31,046,631 in expenditures. In total Governmental fund balances, including other financing sources and uses, and the special item, increased \$501,874.

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, 2017
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 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net 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 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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, 2017
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 2017 compared to 2016.

Table 1			
Net Position			
Governmental Activities			
	2017	2016	Change
Assets			
Current and Other Assets	\$28,352,104	\$28,531,623	(\$179,519)
Capital Assets	45,647,893	45,370,977	276,916
Total Assets	73,999,997	73,902,600	97,397
Deferred Outflow of Resources			
Pension	7,028,967	3,147,983	3,880,984
Liabilities			
Current and Other Liabilities	2,857,508	3,078,147	(220,639)
Long-Term Liabilities:			
Due Within One Year	616,142	1,074,056	(457,914)
Due in More Than One Year			
Net Pension Liability	34,705,465	27,783,949	6,921,516
Other Amounts	10,217,617	10,990,631	(773,014)
Total Liabilities	48,396,732	42,926,783	5,469,949
Deferred Inflows of Resources			
Property Taxes	3,336,286	3,534,929	(198,643)
Pension	467,497	2,448,435	(1,980,938)
Total Deferred Inflows of Resources	3,803,783	5,983,364	(2,179,581)
Net Position			
Net Investment in Capital Assets	35,842,991	35,427,116	415,875
Restricted	11,569,295	10,526,938	1,042,357
Unrestricted (Deficit)	(18,583,837)	(17,813,618)	(770,219)
Total Net Position	\$28,828,449	\$28,140,436	\$688,013

The net pension liability is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." 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 and subtracting deferred outflows related to pension.

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*. 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.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

GASB 68 requires the net pension liability to equal 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 not accounted for as deferred inflows/outflows.

Total assets increased \$97,397. Current and other assets decreased \$179,519 primarily due to decreases in cash and cash equivalents as a result of the School District spending the remaining 2016 QZAB proceeds, as well as decreases in accounts receivable associated with the 2014 QZAB annual in-kind contribution. The decreases were offset by increases in investments in segregated accounts associated with the Education Foundation Special Revenue Fund. Capital assets increased \$276,916 as the School District completed and placed in service the upgrades to the Harding Middle School Campus. The increase in capital assets was offset by annual depreciation.

Total liabilities increased \$5,469,949. Current and other liabilities decreased \$220,639 primarily due to a decrease in accrued wages and benefits due to the School District accruing three pays at fiscal year-end as opposed to four in fiscal year 2016. Long-term liabilities increased \$5,690,588 primarily due to an increase in net pension liability. The increase was offset slightly by annual debt service payments on long-term debt.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2 shows the changes in net position for the fiscal year 2017 compared to fiscal year 2016.

Table 2			
Changes in Net Position			
Governmental Activities			
	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services	\$4,391,359	\$4,129,598	\$261,761
Operating Grants and Contributions	7,600,577	7,308,641	291,936
Capital Grants and Contributions	68,000	82,000	(14,000)
Total Program Revenues	12,059,936	11,520,239	539,697
General Revenues			
Property Taxes	4,588,459	4,273,965	314,494
Grants and Entitlements not Restricted to Specific Programs	13,126,046	13,522,044	(395,998)
Others	704,304	603,665	100,639
Total General Revenues	18,418,809	18,399,674	19,135
Total Revenues	30,478,745	29,919,913	558,832
Program Expenses			
Instruction			
Regular	14,233,408	12,786,547	1,446,861
Special	3,834,341	3,224,314	610,027
Vocational	591,404	619,959	(28,555)
Support Services			
Pupil	1,137,599	888,628	248,971
Instructional Staff	459,987	597,597	(137,610)
Board of Education	83,221	102,107	(18,886)
Administration	2,285,339	1,898,369	386,970
Fiscal	479,391	499,385	(19,994)
Business	272,047	240,808	31,239
Operation and Maintenance of Plant	3,483,257	3,589,298	(106,041)
Pupil Transportation	512,753	549,512	(36,759)
Central	161,528	247,223	(85,695)
Operation of Non-Instructional Services	672,413	519,649	152,764
Intergovernmental	0	10,482	(10,482)
Food Service Operations	1,519,099	1,239,232	279,867
Extracurricular Activities	792,908	687,697	105,211
Interest and Fiscal Charges	95,474	124,378	(28,904)
Total Expenses	30,614,169	27,825,185	2,788,984
Special Item	823,437	0	823,437
Change in Net Position	688,013	2,094,728	(1,406,715)
Net Position Beginning of Year	28,140,436	26,045,708	2,094,728
Net Position End of Year	\$28,828,449	\$28,140,436	\$688,013

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

In 2017, 15 percent of the School District's revenues were from property taxes, and 43 percent were from unrestricted grants and entitlements. Program revenue charges for services, operating grants and contributions increased \$553,697 from the prior fiscal year. The increase is primarily due to an increase in program specific grant funding, as well as increases in tuition and fees. The decrease in capital grants and contributions is due to the remaining portion of the ten percent in-kind contribution related to the 2016 QZAB improvement project being received in fiscal year 2017.

Instructional programs comprise approximately 61 percent of total governmental program expenses and reflect a \$2,028,333 increase from fiscal year 2016. Overall, program expenses of the School District increased by \$2,788,984, primarily due to increases in certified staff wages, as well as the pension expense component of the net pension liability.

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 2017 compared to fiscal year 2016. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction				
Regular	\$14,233,408	\$12,786,547	\$8,580,005	\$7,630,372
Special	3,834,341	3,224,314	1,149,350	569,844
Vocational	591,404	619,959	336,860	421,342
Support Services				
Pupil	1,137,599	888,628	609,308	447,031
Instructional Staff	459,987	597,597	431,319	511,229
Board of Education	83,221	102,107	83,221	102,107
Administration	2,285,339	1,898,369	2,266,154	1,898,369
Fiscal	479,391	499,385	352,980	288,301
Business	272,047	240,808	264,575	233,117
Operation and Maintenance of Plant	3,483,257	3,589,298	3,372,670	3,490,588
Pupil Transportation	512,753	549,512	511,629	549,512
Central	161,528	247,223	161,528	247,223
Operation of Non-Instructional Services	672,413	519,649	106,107	(105,777)
Intergovernmental	0	10,482	0	10,482
Food Service Operations	1,519,099	1,239,232	(139,543)	(391,600)
Extracurricular Activities	792,908	687,697	372,596	278,428
Interest and Fiscal Charges	95,474	124,378	95,474	124,378
Total Expenses	\$30,614,169	\$27,825,185	\$18,554,233	\$16,304,946

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.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The School District Funds

Information about the School District funds starts on page 15. The School District reports two major funds, the General Fund, and Debt Service Fund. The General Fund revenues of \$23,114,512 which reflects a minimal increase from the prior year, whereas expenditures of \$22,763,533 represented an increase of nearly 4 percent from the prior year primarily due to increases in certified staff wages. Including other financing uses, the General Fund's balance decreased \$4,263. The Debt Service Fund revenues of \$598,061 represented a significant decrease from the prior year as one of the School District's bond retirement levies ceased collection in calendar year 2017. Debt Service Fund expenditures of \$1,210,170 reflect a slight decrease from the prior year as long-term obligations are retired. Including other financing sources, the Debt Service Fund's balance decreased \$256,867 as a result of debt service payments on long-term obligations.

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 2017 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 were not significant for either revenues or expenditures. The actual results of operations were not significantly different than budgeted amounts, with both revenues and expenditures, in conjunction with other financing uses, being less than budgeted.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$45,647,893 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, 2017, the School District had \$9,804,902 in bonds outstanding.

Table 4
Outstanding Debt at Year End
Governmental Activities

	2017	2016
1998 Refunding Bonds- Term Bonds	\$0	\$655,000
2011 Refunding Bonds - Serial and Capital Appreciation Bonds, Accretion of Interest, and Premium	1,412,162	1,643,528
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	2,337,500	2,475,000
2016 Qualified Zone Academy Bonds	1,425,000	1,500,000
Total	\$9,804,902	\$10,903,768

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

Economic Factors

The School District relies on State Funding for its operations. State funding is directly affected by state revenue collections and the health of the state budget. The same economic forces driving State tax revenues are also likely affecting the underlying economics of most communities in Ohio. Generally speaking, the School District economic viability is tied to the same fundamental economics that drive the state's economic viability. As of June 2017, the unemployment rate in Jefferson County continues to be higher than the State average. For the School District, a final piece of economic data which is highly relevant is the value of real property. The School District has seen an increase in the assessed valuation of the real property within its taxing authority. Overall, the economy of the state appears to be stable and growing. This should provide a stable basis for state revenues to the School District as noted in HB64 through fiscal year 2018.

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 at Steubenville City School District, 1400 West Adams Street, Steubenville, Ohio 43952.

Steubenville City School District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,905,462
Cash and Cash Equivalents in Segregated Accounts	51,307
Investments in Segregated Accounts	772,130
Intergovernmental Receivable	730,484
Prepaid Items	131,142
Materials and Supplies Inventory	15,784
Property Taxes Receivable	5,630,556
Cash and Cash Equivalents with Fiscal Agent	5,329,636
Accounts Receivable	339,696
Cash and Cash Equivalents Escrow Agents	494,358
Investments with Escrow Agents	2,951,549
Non-Depreciable Capital Assets	5,744,580
Depreciable Capital Assets, Net	39,903,313
<i>Total Assets</i>	73,999,997
Deferred Outflows of Resources	
Pension	7,028,967
Liabilities	
Accounts Payable	122,914
Accrued Wages and Benefits Payable	1,670,232
Vacation Benefits Payable	40,451
Intergovernmental Payable	622,579
Matured Severance Payable	20,535
Accrued Interest Payable	2,233
Claims Payable	378,564
Long-Term Liabilities:	
Due Within One Year	616,142
Due In More Than One Year:	
Net Pension Liability (See Note 11)	34,705,465
Other Amounts	10,217,617
<i>Total Liabilities</i>	48,396,732
Deferred Inflows of Resources	
Property Taxes	3,336,286
Pension	467,497
<i>Total Deferred Inflows of Resources</i>	3,803,783
Net Position	
Net Investment in Capital Assets	35,842,991
Restricted for:	
Debt Service	5,178,036
Capital Outlay	1,228,262
Budget Stabilization	85,496
State and Intermediate Programs	261,245
Federal Programs	158,642
Food Service Operations	1,642,047
Preschool Programs	472,463
Classroom Facilities Maintenance	1,414,413
Education Foundation Purposes	823,437
Other Purposes	305,254
Unrestricted (Deficit)	(18,583,837)
<i>Total Net Position</i>	\$28,828,449

See accompanying notes to the basic financial statements

Stebenville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$14,233,408	\$3,822,169	\$1,831,234	\$0	(\$8,580,005)
Special	3,834,341	169,333	2,515,658	0	(1,149,350)
Vocational	591,404	0	254,544	0	(336,860)
Support Services:					
Pupil	1,137,599	0	528,291	0	(609,308)
Instructional Staff	459,987	0	28,668	0	(431,319)
Board of Education	83,221	0	0	0	(83,221)
Administration	2,285,339	19,185	0	0	(2,266,154)
Fiscal	479,391	0	126,411	0	(352,980)
Business	272,047	7,472	0	0	(264,575)
Operation and Maintenance of Plant	3,483,257	50,505	60,082	0	(3,372,670)
Pupil Transportation	512,753	0	1,124	0	(511,629)
Central	161,528	0	0	0	(161,528)
Operation of Non-Instructional Services	672,413	898	565,408	0	(106,107)
Food Service Operations	1,519,099	13,477	1,645,165	0	139,543
Extracurricular Activities	792,908	308,320	43,992	68,000	(372,596)
Interest and Fiscal Charges	95,474	0	0	0	(95,474)
<i>Total Governmental Activities</i>	<u>\$30,614,169</u>	<u>\$4,391,359</u>	<u>\$7,600,577</u>	<u>\$68,000</u>	<u>(18,554,233)</u>

General Revenues

Property Taxes Levied for General Purposes	3,569,102
Property Taxes Levied for Capital Projects	738,285
Property Taxes Levied for Debt Service	210,987
Property Taxes Levied for Building Maintenance	70,085
Grants and Entitlements not Restricted to Specific Programs	13,126,046
Gifts and Donations	257,209
Investment Earnings	146,915
Miscellaneous	300,180
<i>Total General Revenues</i>	<u>18,418,809</u>
Special Item	<u>823,437</u>
Change in Net Position	688,013
<i>Net Position Beginning of Year</i>	<u>28,140,436</u>
<i>Net Position End of Year</i>	<u>\$28,828,449</u>

See accompanying notes to the basic financial statements

Stebenville City School District
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,460,445	\$1,633,742	\$4,725,531	\$11,819,718
Cash and Cash Equivalents in Segregated Accounts	0	0	51,307	51,307
Investments in Segregated Accounts	0	0	772,130	772,130
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	85,496	0	0	85,496
Cash and Cash Equivalents with Escrow Agents	0	494,358	0	494,358
Investments with Escrow Agents	0	2,951,549	0	2,951,549
Receivables:				
Property Taxes	4,421,100	257,326	952,130	5,630,556
Intergovernmental	208,376	0	522,108	730,484
Accounts	0	0	275,100	275,100
Prepaid Items	126,657	0	4,485	131,142
Materials and Supplies Inventory	9,998	0	5,786	15,784
<i>Total Assets</i>	<u>\$10,312,072</u>	<u>\$5,336,975</u>	<u>\$7,308,577</u>	<u>\$22,957,624</u>
Liabilities				
Accounts Payable	\$99,440	\$0	\$23,474	\$122,914
Accrued Wages and Benefits Payable	1,332,279	0	337,953	1,670,232
Matured Severance Payable	20,535	0	0	20,535
Intergovernmental Payable	564,025	0	58,554	622,579
<i>Total Liabilities</i>	<u>2,016,279</u>	<u>0</u>	<u>419,981</u>	<u>2,436,260</u>
Deferred Inflows of Resources				
Property Taxes	2,596,747	156,706	582,833	3,336,286
Unavailable Revenue	1,208,487	50,602	759,154	2,018,243
<i>Total Deferred Inflows of Resources</i>	<u>3,805,234</u>	<u>207,308</u>	<u>1,341,987</u>	<u>5,354,529</u>
Fund Balances				
Nonspendable:				
Inventories	9,998	0	5,786	15,784
Prepaid Items	126,657	0	3,485	130,142
Restricted for:				
Debt Service	0	5,129,667	0	5,129,667
Capital Outlay	0	0	783,283	783,283
Budget Stabilization	85,496	0	0	85,496
State and Intermediate Programs	0	0	257,399	257,399
Food Service Operations	0	0	1,632,776	1,632,776
Preschool Programs	0	0	451,445	451,445
Classroom Facilities Maintenance	0	0	1,396,341	1,396,341
Education Foundation Purposes	0	0	823,437	823,437
Other Purposes	0	0	305,254	305,254
Assigned for:				
Future Appropriations	695,298	0	0	695,298
Purchases on Order	866,502	0	0	866,502
Unassigned (Deficit)	2,706,608	0	(112,597)	2,594,011
<i>Total Fund Balances</i>	<u>4,490,559</u>	<u>5,129,667</u>	<u>5,546,609</u>	<u>15,166,835</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$10,312,072</u>	<u>\$5,336,975</u>	<u>\$7,308,577</u>	<u>\$22,957,624</u>

See accompanying notes to the basic financial statements

Steubenville City School District
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2017*

Total Governmental Fund Balances \$15,166,835

*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. 45,647,893

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

Property Taxes	1,277,707
Grants	296,103
Tuition and Fees	169,333
Contributions and Donations	<u>275,100</u>

Total 2,018,243

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. 5,015,916

Vacation benefits payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources are therefore not reported in the funds. (40,451)

In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in the governmental funds, an interest expenditure is reported when due. (2,233)

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

General Obligation Bonds - Serial / Term	1,340,000
Premium on Refunding Bonds	72,162
Qualified Zone Academy Bonds	8,392,740
Compensated Absences	<u>1,028,857</u>

Total (10,833,759)

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	7,028,967
Net Pension Liability	(34,705,465)
Deferred Inflows - Pension	<u>(467,497)</u>

Total (28,143,995)

Net Position of Governmental Activities \$28,828,449

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, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,555,862	\$378,056	\$638,262	\$4,572,180
Intergovernmental	15,102,737	126,411	5,526,812	20,755,960
Interest	26,395	93,594	8,311	128,300
Tuition and Fees	3,920,707	0	33,400	3,954,107
Rent	50,505	0	1,133	51,638
Extracurricular Activities	20,458	0	295,099	315,557
Contributions and Donations	172,035	0	428,274	600,309
Charges for Services	33,360	0	13,477	46,837
Miscellaneous	232,453	0	67,727	300,180
<i>Total Revenues</i>	<u>23,114,512</u>	<u>598,061</u>	<u>7,012,495</u>	<u>30,725,068</u>
Expenditures				
Current:				
Instruction:				
Regular	10,737,533	0	2,141,345	12,878,878
Special	2,638,665	0	822,694	3,461,359
Vocational	420,001	0	22,462	442,463
Support Services:				
Pupil	570,175	0	469,016	1,039,191
Instructional Staff	270,189	0	30,787	300,976
Board of Education	80,478	0	0	80,478
Administration	1,983,301	0	0	1,983,301
Fiscal	413,098	12,965	14,018	440,081
Business	252,742	0	10,398	263,140
Operation and Maintenance of Plant	4,197,519	0	1,026,223	5,223,742
Pupil Transportation	443,459	0	1,117	444,576
Central	161,528	0	0	161,528
Operation of Non-Instructional Services	15,399	0	637,888	653,287
Food Service Operations	0	0	1,372,771	1,372,771
Extracurricular Activities	431,952	0	518,569	950,521
Capital Outlay	147,494	0	5,640	153,134
Debt Service:				
Principal Retirement	0	942,500	0	942,500
Interest and Fiscal Charges	0	59,705	0	59,705
Interest on Capital Appreciation Bonds	0	195,000	0	195,000
<i>Total Expenditures</i>	<u>22,763,533</u>	<u>1,210,170</u>	<u>7,072,928</u>	<u>31,046,631</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>350,979</u>	<u>(612,109)</u>	<u>(60,433)</u>	<u>(321,563)</u>
Other Financing Sources (Uses)				
Transfers In	0	355,242	0	355,242
Transfers Out	(355,242)	0	0	(355,242)
Total Other Financing Sources (Uses)	<u>(355,242)</u>	<u>355,242</u>	<u>0</u>	<u>0</u>
Special Item	0	0	823,437	823,437
<i>Net Change in Fund Balances</i>	(4,263)	(256,867)	763,004	501,874
<i>Fund Balances Beginning of Year</i>	<u>4,494,822</u>	<u>5,386,534</u>	<u>4,783,605</u>	<u>14,664,961</u>
<i>Fund Balances End of Year</i>	<u>\$4,490,559</u>	<u>\$5,129,667</u>	<u>\$5,546,609</u>	<u>\$15,166,835</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, 2017*

Net Change in Fund Balances - Total Governmental Funds \$501,874

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

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

Capital Asset Additions	2,486,550	
Depreciation	(2,209,634)	
Total		276,916

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

Property Taxes	16,279	
Grants	(10,152)	
Tuition and Fees	4,035	
Contributions and Donations	(275,100)	
Total		(264,938)

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	655,000	
Capital Appreciation Bonds	75,000	
Capital Appreciation Bond Accretion	195,000	
Qualified Zone Academy Bonds	212,500	
Total		1,137,500

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	2,865	
Accretion of Interest	(50,661)	
Total		(47,796)

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	(3,090)	
Compensated Absences	132,062	
Total		128,972

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. 3,052

Contractually required contributions are reported as expenditures in the governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 1,781,553

Except for amounts reported as deferred outflows/inflows, changes in net pension liability are reported as pension expense in the Statement of Activities. (2,841,147)

Change in Net Position of Governmental Activities \$688,013

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$3,359,690	\$3,395,821	\$3,395,821	\$0
Intergovernmental	15,781,029	15,134,857	15,088,457	(46,400)
Interest	13,530	24,500	26,395	1,895
Tuition and Fees	3,785,000	3,929,732	3,926,531	(3,201)
Rent	36,500	51,500	50,505	(995)
Extracurricular	20,000	20,100	20,008	(92)
Contributions and Donations	99,650	171,882	172,035	153
Charges for Services	29,500	37,809	33,360	(4,449)
Payment in Lieu of Taxes	7,000	7,000	7,000	0
Miscellaneous	67,050	246,427	232,445	(13,982)
<i>Total Revenues</i>	<u>23,198,949</u>	<u>23,019,628</u>	<u>22,952,557</u>	<u>(67,071)</u>
Expenditures				
Current:				
Instruction:				
Regular	10,614,316	10,614,316	11,324,263	(709,947)
Special	2,607,987	2,607,987	2,720,195	(112,208)
Vocational	506,863	542,126	452,310	89,816
Support Services:				
Pupil	562,867	572,867	590,018	(17,151)
Instructional Staff	316,494	316,494	278,114	38,380
Board of Education	105,575	105,575	95,212	10,363
Administration	1,950,752	1,960,952	2,021,027	(60,075)
Fiscal	452,174	452,174	426,567	25,607
Business	237,571	237,571	304,536	(66,965)
Operation and Maintenance of Plant	5,302,686	5,302,686	4,608,554	694,132
Pupil Transportation	505,495	505,495	458,537	46,958
Central	209,598	209,598	195,254	14,344
Operation of Non-Instructional Services	10,900	15,100	14,727	373
Extracurricular Activities	355,940	360,070	399,564	(39,494)
Capital Outlay	208,000	243,500	162,747	80,753
<i>Total Expenditures</i>	<u>23,947,218</u>	<u>24,046,511</u>	<u>24,051,625</u>	<u>(5,114)</u>
Excess of Revenues Under Expenditures	<u>(748,269)</u>	<u>(1,026,883)</u>	<u>(1,099,068)</u>	<u>(72,185)</u>
Other Financing Sources (Uses)				
Advances In	40,000	38,790	38,789	(1)
Transfers Out	(311,338)	(311,338)	(355,242)	(43,904)
Advances Out	(100,000)	(100,000)	0	100,000
Total Other Financing Sources (Uses)	<u>(371,338)</u>	<u>(372,548)</u>	<u>(316,453)</u>	<u>56,095</u>
<i>Net Change in Fund Balance</i>	<u>(1,119,607)</u>	<u>(1,399,431)</u>	<u>(1,415,521)</u>	<u>(16,090)</u>
<i>Fund Balance Beginning of Year</i>	4,826,946	4,826,946	4,826,946	0
Prior Year Encumbrances Appropriated	<u>1,168,309</u>	<u>1,168,309</u>	<u>1,168,309</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,875,648</u></u>	<u><u>\$4,595,824</u></u>	<u><u>\$4,579,734</u></u>	<u><u>(\$16,090)</u></u>

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2017

	Governmental Activity
	Internal Service Fund
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$248
Cash and Cash Equivalents with Fiscal Agent	5,329,636
Accounts Receivable	64,596
Total Current Assets	5,394,480
Current Liabilities	
Claims Payable	378,564
Net Position	
Unrestricted	5,015,916
<i>Total Net Position</i>	\$5,015,916

See accompanying notes to the basic financial statements

Stebenville City School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	Governmental Activity <hr/> Internal Service Fund <hr/>
Operating Revenues	
Charges for Services	\$3,837,930
Other Revenues	<u>54,890</u>
<i>Total Operating Revenues</i>	<u>3,892,820</u>
Operating Expenses	
Purchased Services	645,972
Claims	<u>3,262,411</u>
<i>Total Operating Expenses</i>	<u>3,908,383</u>
<i>Operating Loss</i>	(15,563)
Non-Operating Revenues	
Interest	<u>18,615</u>
<i>Change in Net Position</i>	3,052
<i>Net Position Beginning of Year</i>	<u>5,012,864</u>
<i>Net Position End of Year</i>	<u><u>\$5,015,916</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, 2017

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$3,837,930
Cash Payments for Services	(645,972)
Cash Payments for Claims	(3,468,413)
Cash Received from Other Operating Revenues	342,922
	66,467
<i>Net Cash Provided by Operating Activities</i>	<i>66,467</i>
Cash Flows from Investing Activities	
Interest	18,615
	18,615
<i>Net Cash Provided by Investing Activities</i>	<i>18,615</i>
<i>Net Change in Cash and Cash Equivalents</i>	85,082
<i>Cash and Cash Equivalents Beginning of Year</i>	5,244,802
<i>Cash and Cash Equivalents End of Year</i>	\$5,329,884
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(\$15,563)
Increase in Account Receivable	(21,481)
Increase in Claims Payable	103,511
	\$66,467
<i>Net Cash Provided by Operating Activities</i>	<i>\$66,467</i>

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$304,626	\$110,247
Investments	79,328	0
<i>Total Assets</i>	383,954	\$110,247
Liabilities		
Undistributed Monies	0	11
Due to Students	0	110,236
<i>Total Liabilities</i>		\$110,247
Net Position		
Held in Trust for Scholarships	383,954	
<i>Total Net Position</i>	\$383,954	

See accompanying notes to the basic financial statements

Stebenville City School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Funds
Additions	
Contributions and Donations	\$48,670
Investment Income	4,287
Total Additions	52,957
Deductions	
Scholarships Awarded	58,175
<i>Net Change in Fund Balance</i>	(5,218)
<i>Net Position Beginning of Year</i>	389,172
<i>Net Position End of Year</i>	\$383,954

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, 2017

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 83 non-certificated employees, 157 certificated full-time and 12 certificated part-time teaching personnel, and 17 full time and 1 part-time administrative employees who provide services to 2,481 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), the Ohio Schools Council (OSC), 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, which is defined as a risk-sharing, claims servicing, and insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the financial statements.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 general purpose 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, 2017

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.

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 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

Steubenville City School District
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For the Fiscal Year Ended June 30, 2017

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.

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 pension. The deferred outflows of resources related to pension are explained in Note 11.

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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, 2017, but which were levied to finance fiscal year 2018 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16. 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."

During fiscal year 2017, investments were limited to mutual funds, common stock, and Federal Home Loan Mortgage Corporation Notes. The mutual funds are reported at net asset value per share, and the remaining investments were reported at fair value.

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 2017 amounted to \$26,395, which includes \$18,723, 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 to be cash equivalents.

Steubenville City School District
Notes to the Basic Financial Statements
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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 18 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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 reporting of assets by back-trending (i.e., estimating the 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 acquisition values as of the date received. The capitalization threshold is five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets 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

Steubenville City School District
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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, 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 in the funds in the period the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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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.

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.

Steubenville City School District
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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 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 with the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For fiscal year 2017, the School District is reporting a special item representing amounts related to the transfer of operations from the Steubenville City Schools Education Foundation, Inc. to the School District. See Note 20 for further details.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there were no material abatements.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Steubenville City School District
Notes to the Basic Financial Statements
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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. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).

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	(\$4,263)
Revenue Accruals	(161,955)
Expenditure Accruals	(321,885)
Advances In	38,789
Encumbrances	<u>(966,207)</u>
Budget Basis	<u><u>(\$1,415,521)</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.

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

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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, 2017, the School District's internal service fund had a balance of \$5,329,636 with Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool (See Note 17). 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.

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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 \$12,533,087. Of the bank balance \$500,000 was covered by Federal depository insurance and the remaining balance of \$12,033,087 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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

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, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's Rating	Total Investments
Net Asset Value Per Share				
Mutual Funds (Open-end)	\$682,259	N/A	N/A	17.95%
Mutual Funds (Closed-end)	90,255	N/A	N/A	2.37%
Total Net Asset Value Per Share	772,514			
Fair Value - Level One Inputs				
Common Stock	81,095	N/A	N/A	2.13%
Fair Value - Level Two Inputs				
Federal Home Loan Mortgage Corporation Note	2,949,398	Less than one year	Aaa	77.55%
Total Investments	\$3,803,007			100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. Common stock is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Steubenville City School District
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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.

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 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, 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.

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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, 2017, are available to finance fiscal year 2017 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, 2017 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, 2017 was \$785,199 in the General Fund, \$50,018 in the Debt Service Fund, \$167,917 in the Permanent Improvement Capital Projects Fund, and \$13,429 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2016 was \$625,158 in the General Fund, \$173,515 in the Debt Service Fund, and \$13,429 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 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$149,861,940	89.87%	\$149,876,860	89.65%
Public Utility Personal	16,887,490	10.13%	17,310,900	10.35%
	\$166,749,430	100.00%	\$167,187,760	100.00%
Tax Rate per \$1,000 of assessed valuation		\$35.35		\$35.35

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017, consisted of property taxes, tuition and fees, intergovernmental grants, and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,277,707 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 \$275,100 that is scheduled to be contributed within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Governmental Activities:	Amounts
Bureau of Workers' Compensation Rebate	\$39,043
Early Childhood Grant	3,017
Elementary Counseling Grant	115,710
Excess Costs from Other School Districts	169,333
IDEA B Grant	111,214
Parent Mentor Grant	3,846
Public Preschool Grant	38,403
School Lunch Program Subsidy	6,667
Title I Grant	188,160
Title I-D Grant	10,113
Title II A Grant	44,978
Total Intergovernmental Receivable	\$730,484

Tax Increment Financing – Business Development On November 18, 2015 the Board of Education of Steubenville City School District approved a Tax Increment Financing Agreement (TIF) with the City of Steubenville. The purpose of the TIF is economic development, and infrastructure improvements benefitting the public. The TIF agreement is for a thirty year period effective December 3, 2015. The TIF calls for various payments in lieu of taxes when certain criteria are met. The required criteria of the TIF were not met during fiscal year 2017, and as a result, the School District did not report a receivable.

NOTE 8 – TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	Transfer to
	Debt
<u>Transfer from</u>	<u>Service</u>
General Fund	\$355,242

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 and 2016 QZAB. See Long-Term Obligations Note 15 for further details.

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NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Nondepreciable Capital Assets:				
Land	\$5,502,487	\$77,495	\$0	\$5,579,982
Construction in Progress	782,407	164,598	(782,407)	164,598
Total Nondepreciable Capital Assets	6,284,894	242,093	(782,407)	5,744,580
Depreciable Capital Assets:				
Land Improvements	2,886,250	166,655	0	3,052,905
Buildings and Improvements	56,307,726	2,219,677	0	58,527,403
Furniture and Equipment	4,277,270	640,532	0	4,917,802
Vehicles	1,609,494	0	0	1,609,494
Total Depreciable Capital Assets	65,080,740	3,026,864	0	68,107,604
Accumulated Depreciation:				
Land Improvements	(2,037,108)	(103,937)	0	(2,141,045)
Buildings and Improvements	(19,669,070)	(1,750,404)	0	(21,419,474)
Furniture and Equipment	(3,121,523)	(279,955)	0	(3,401,478)
Vehicles	(1,166,956)	(75,338)	0	(1,242,294)
Total Accumulated Depreciation	(25,994,657)	(2,209,634)	0	(28,204,291)
Total Depreciable Capital Assets, Net	39,086,083	817,230	0	39,903,313
Governmental Capital Assets, Net	\$45,370,977	\$1,059,323	(\$782,407)	\$45,647,893

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,009,383
Special	193,635
Vocational	137,887
Support Services:	
Pupil	66,759
Instructional Staff	144,417
Administration	244,132
Fiscal	17,504
Operation of Maintenance and Plant	137,780
Pupil Transportation	54,132
Extracurricular	127,570
Non Instructional Services	23,992
Food Service Operations	52,443
Total Depreciation Expense	\$2,209,634

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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 \$85,871,793. 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 \$826.58 for individual coverage per month and \$1,923.85 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.

The claims liability of \$378,564 reported in the internal service fund at June 30, 2017 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:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$441,807	\$2,464,247	\$2,631,001	\$275,053
2017	275,053	3,327,007 (1)	3,223,496 (2)	378,564
(1) Claims Expense		3,262,411		
+ Stop Loss Receivable		64,596		
Current Year Claims		<u>3,327,007</u>		
(2) Cash Payments for Claims			3,468,413	
- Stop Loss Received for 2017 Claims			<u>(244,917)</u>	
Claim Payments			<u>3,223,496</u>	

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For fiscal year 2017 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.

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 the employer, 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

Stuebenville City School District
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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 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.

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$372,466 for fiscal year 2017. Of this amount \$68,999 is reported as an intergovernmental payable.

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 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.

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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 is 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 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 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 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 service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to 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. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,409,087 for fiscal year 2017. Of this amount, \$221,956 is reported as an intergovernmental payable.

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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, 2016, 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>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.07820830%	0.08438414%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.08058180%</u>	<u>0.08606222%</u>	
Change in Proportionate Share	<u>0.00237350%</u>	<u>0.00167808%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,897,845	\$28,807,620	\$34,705,465
Pension Expense	\$776,973	\$2,064,174	\$2,841,147

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$79,548	\$1,163,966	\$1,243,514
Changes of assumptions	393,713	0	393,713
Net difference between projected and actual earnings on pension plan investments	486,487	2,391,806	2,878,293
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	370,078	361,816	731,894
School District contributions subsequent to the measurement date	<u>372,466</u>	<u>1,409,087</u>	<u>1,781,553</u>
Total Deferred Outflows of Resources	<u>\$1,702,292</u>	<u>\$5,326,675</u>	<u>\$7,028,967</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$0</u>	<u>\$467,497</u>	<u>\$467,497</u>

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\$1,781,553 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$403,752	\$497,607	\$901,359
2019	403,402	497,606	901,008
2020	382,828	1,415,412	1,798,240
2021	139,844	1,039,466	1,179,310
Total	\$1,329,826	\$3,450,091	\$4,779,917

Actuarial Assumptions - 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 3 percent	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

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For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.50 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$7,808,378	\$5,897,845	\$4,298,648

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences 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 no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected 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 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual assets classes.

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Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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 previously. 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 of future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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	\$38,282,985	\$28,807,620	\$20,814,590

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

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, 2017, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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. SERS offers several types of health plans from various vendors, including HMO's, PPO's,

Steubenville City School District
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For the Fiscal Year Ended June 30, 2017

Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. 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. For fiscal year 2017, the School District's surcharge obligation was \$43,265.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$43,265, \$41,378, and \$30,047 respectively. The full amount is reported as an intergovernmental payable for fiscal year 2017. The full amount has been contributed for fiscal years 2016, and 2015.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can 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 discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Steubenville City School District
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For the Fiscal Year Ended June 30, 2017

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 245 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.

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 - COMMITMENTS

A. Construction Commitments

During fiscal year 2017, the School District awarded contracts for the Harding Cafeteria Project. The Project is to be funded in part by accumulated resources in the Classroom Facilities Maintenance Special Revenue Fund, and the Food Service Special Revenue Fund. The remaining costs of the project will be funded by the General Fund. As of June 30, 2017 the School District had the following contractual commitments:

<u>Contractor</u>	<u>Purchase Commitment</u>	<u>Amount Paid as of 6/30/17</u>	<u>Amount Remaining on Contract</u>
Brewer Garrett	\$974,642	\$164,598	\$810,044
Kiefer USA	92,978	0	92,978
Fort Steuben Maintenance	688,891	0	688,891
Ridgeline Construction	69,985	0	69,985
Marous Brothers Construction	136,103	0	136,103
Imperial Glazing Concepts	74,989	0	74,989
Kalkreuth Roofing	66,700	0	66,700
McKinney Drilling	76,000	0	76,000
Carney & Sloan, Inc.	131,540	0	131,540
H.E. Neumann Company	116,900	0	116,900
Trane	90,836	0	90,836
Total	<u>\$2,519,564</u>	<u>\$164,598</u>	<u>\$2,354,966</u>

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

B. 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	\$966,207
Other Non-Major Governmental Funds	1,443,141
Total	\$2,409,348

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17	Amounts Due In One Year
<i>1998 Refunding Bonds, \$10,515,000</i>					
Term Bonds, \$8,130,000 @ 3.5%-5.25%	\$655,000	\$0	\$655,000	\$0	\$0
<i>2011 Refunding Bonds, \$2,090,000</i>					
Serial Bonds, \$2,015,000 @ 1.0%-3.70%	1,340,000	0	0	1,340,000	270,000
Capital Appreciation Bonds \$75,000 @ 3.0%	75,000	0	75,000	0	0
Accretion of Interest \$195,000 @ 22.50%	144,339	50,661	195,000	0	0
Premium - \$144,324	84,189	0	12,027	72,162	0
<i>Qualified Zone Academy Bonds (QZAB):</i>					
2005 QZAB, \$3,930,240 @ 0%	3,930,240	0	0	3,930,240	0
2007 QZAB, \$700,000 @ 0%	700,000	0	0	700,000	0
2014 QZAB, \$2,750,000 @ 0%	2,475,000	0	137,500	2,337,500	137,500
2016 QZAB, \$1,500,000 @ 0%	1,500,000	0	75,000	1,425,000	75,000
Total Bonds	10,903,768	50,661	1,149,527	9,804,902	482,500
Net Pension Liability *					
SERS	4,462,640	1,435,205	0	5,897,845	0
STRS	23,321,309	5,486,311	0	28,807,620	0
Total Net Pension Liability	27,783,949	6,921,516	0	34,705,465	0
Compensated Absences	1,160,919	185,068	317,130	1,028,857	133,642
Total Long-Term Obligations	\$39,848,636	\$7,157,245	\$1,466,657	\$45,539,224	\$616,142

*- 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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 each year.

During fiscal year 2017, the remaining amount of the principal of such Current Interest Bonds (\$655,000) matured on December 1, 2016.

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 2011 bond issue consists of serial and capital appreciation bonds, \$2,015,000, and \$75,000, respectively. The capital appreciation bonds for this issue matured December 1, 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest was paid and the bond holder received the face value of the bond. The capital appreciation bonds for this issue were fully retired in fiscal year 2017.

Principal and Interest requirements to retire the 2011 Refunding General Purpose Bonds outstanding at June 30, 2017 are as follows:

Fiscal Year	Serial Bonds	
	Principal	Interest
2018	\$270,000	\$39,002
2019	205,000	32,519
2020	205,000	26,343
2021	210,000	19,675
2022	220,000	12,360
2023	230,000	4,255
Totals	\$1,340,000	\$134,154

Steubenville City School District
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For the Fiscal Year Ended June 30, 2017

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 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 cash and cash equivalents with fiscal agents in the debt service fund.

See Subsequent Event Note 21 for more information on the 2005 and 2007 QZAB fiscal agent accounts.

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.

2016 Qualified Zone Academy Bonds – On May 1, 2016, the School District issued \$1,500,000 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 at the Harding Middle School, and renovations to, and equipping of the SCS STEM Education Academy. Similar to the 2014 QZAB, the bonds come due annually and are subject to annual debt service requirements. The QZAB does not bear interest. The annual debt service principal requirements of the 2014 and 2016 QZAB issues outstanding at June 30, 2017 are as follows.

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For the Fiscal Year Ended June 30, 2017

Fiscal Year	2014 QZAB Principal	2016 QZAB Principal	Total
2018	\$137,500	\$75,000	\$212,500
2019	137,500	75,000	212,500
2020	137,500	75,000	212,500
2021	137,500	75,000	212,500
2022	137,500	75,000	212,500
2023-2027	687,500	375,000	1,062,500
2028-2032	687,500	375,000	1,062,500
2033-2036	275,000	300,000	575,000
Totals	\$2,337,500	\$1,425,000	\$3,762,500

The School District's overall legal debt margin was \$15,340,640 with an unvoted debt margin of \$167,188 at June 30, 2017.

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Food Service Special Revenue, Miscellaneous State Grants Special Revenue, Title I Special Revenue, and Miscellaneous Federal Grants Special Revenue. For additional information related to the net pension liability see Note 11.

Compensated absences will be paid from the General Fund.

NOTE 16 - 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 2017, 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 2017, the total amount paid to OME-RESA from the School District was \$2,070 for cooperative gas purchasing services administrative fees, and \$52,258 for technology services, 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.

Steubenville City School District
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For the Fiscal Year Ended June 30, 2017

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 2017.

Ohio Schools Council (OSC) – The Ohio Schools Council is a regional council of governments created under ORC 167, created by school districts for the purpose of saving dollars through volume purchases. OSC's membership has grown to 231 school districts, educational service centers, joint vocational districts, and developmental disabilities boards located in 33 counties. Each participant supports the OSC by paying an annual participation fee. Each participating School District's superintendent serves as a representative of the Assembly. The Assembly elects a nine member Board of Directors (Board) which is the policy making authority of the OSC. The Board appoints an Executive Director to oversee operations of the OSC. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and the designation of management. Each participants control is limited to its representation on the Board. During fiscal year 2017, the School District made no contributions the OSC. Financial information can be obtained by contacting the Executive Director at the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

NOTE 17 - 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 \$6,670 for policy year 2017 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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

NOTE 18 - 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, 2016	\$0	\$85,496
Current Year Set-aside Requirement	397,480	0
Current Year Offsets	(69,856)	0
Current Year Qualifying Expenditures	(561,212)	0
Totals	(\$233,588)	\$85,496
Balance Carried Forward to Fiscal Year 2018	\$0	\$0
Set-aside Restricted Balance as of June 30, 2017	\$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, 2017 was \$85,496.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 19 - 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, 2017.

B. State Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

C. Litigation

The School District is currently not party to legal proceedings.

NOTE 20 – SPECIAL ITEM

On February 9, 2017, the Board of the Steubenville City Schools Education Foundation, Inc. voted to dissolve operations and transfer resources to the School District. On May 17, 2017 the Board of Education approved a resolution to accept the transfer of resources from the Steubenville City Schools Education Foundation, Inc. On June 9, 2017 the operations of the Steubenville City Schools Education Foundation, Inc. were transferred to the School District. The transfer of assets and liabilities from the Steubenville City Schools Education Foundation, Inc. to the School District included \$ 823,437 in cash, and no liabilities. The net position of \$823,437 is reflected as a Special Item.

NOTE 21 – SUBSEQUENT EVENTS

A. Investments

On June 30, 2017, the \$472,000 Federal Home Loan Bank Discount Note held by the School District matured. On July 3, 2017 the School District purchased a \$502,000 par value Federal National Mortgage Association Discount Note at 98.42 percent for \$494,066, which has a maturity date of January 2, 2018, and carries a credit rating of Aaa.

On August 15, 2017, the \$2,953,000 Federal Home Loan Mortgage Company Discount Note held by the School District matured. The School District subsequently purchased a \$3,095,000 par value Federal National Mortgage Association Discount Note at 99.32 percent for \$3,074,090, which has a maturity date of November 15, 2017 and carries a credit rating of Aaa.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

B. Education Foundation

On July 20, 2017, the Board of Education approved an agreement with the Foundation for Appalachian Ohio to administer scholarships associated with the School District's Education Foundation. The Foundation for Appalachian Ohio is a 501(c)(3) non-profit corporation.

C. Alternative School

On August 16, the Board of Education approved an agreement with the Jefferson County Educational Service Center to establish an alternative school to serve grades K-12. The agreement is effective August 23, 2017 for a 3 year term, concluding in fiscal year 2020.

D. 2005 Qualified Zone Academy Bonds

The School District made the required annual debt service sinking escrow payment and deposited \$120,810 in the Debt Service Escrow account on August 4, 2017.

**Required
Supplementary
Information**

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 Four Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08058180%	0.07820830%	0.06922000%	0.06922000%
School District's Proportionate Share of the Net Pension Liability	\$5,897,845	\$4,462,640	\$3,503,184	\$4,116,291
School District's Covered Payroll	\$2,502,571	\$2,354,469	\$2,011,385	\$2,007,962
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.67%	189.54%	174.17%	205.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years; information prior to 2014 is not available. An additional column will be added for each year

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to required supplementary information

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 Four Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08606222%	0.08438414%	0.08705089%	0.08705089%
School District's Proportionate Share of the Net Pension Liability	\$28,807,620	\$23,321,309	\$21,173,790	\$25,222,079
School District's Covered Payroll	\$9,038,357	\$8,650,279	\$8,802,254	\$8,873,264
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.73%	269.60%	240.55%	284.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years; information prior to 2014 is not available.
An additional column will be added for each year

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to required supplementary information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$372,466	\$350,360	\$310,319	\$278,778
Contributions in Relation to the Contractually Required Contribution	<u>(372,466)</u>	<u>(350,360)</u>	<u>(310,319)</u>	<u>(278,778)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,660,471	\$2,502,571	\$2,354,469	\$2,011,385
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

See accompanying notes to required supplementary information

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$277,902	\$263,375	\$223,241	\$292,151	\$202,027	\$172,736
<u>(277,902)</u>	<u>(263,375)</u>	<u>(223,241)</u>	<u>(292,151)</u>	<u>(202,027)</u>	<u>(172,736)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,007,962	\$1,958,181	\$1,775,986	\$2,157,692	\$2,053,124	\$1,759,017
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,409,087	\$1,265,370	\$1,211,039	\$1,144,293
Contributions in Relation to the Contractually Required Contribution	<u>(1,409,087)</u>	<u>(1,265,370)</u>	<u>(1,211,039)</u>	<u>(1,144,293)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$10,064,907	\$9,038,357	\$8,650,279	\$8,802,254
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

See accompanying notes to required supplementary information

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$1,153,524	\$1,220,237	\$1,236,433	\$1,208,788	\$1,212,880	\$1,200,300
<u>(1,153,524)</u>	<u>(1,220,237)</u>	<u>(1,236,433)</u>	<u>(1,208,788)</u>	<u>(1,212,880)</u>	<u>(1,200,300)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,873,264	\$9,386,436	\$9,511,021	\$9,298,371	\$9,329,843	\$9,233,079
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Stebenville City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

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			123,660	123,660
Cash Assistance:				
National School Lunch Program	04-PU-17	10.555	\$1,024,457	\$818,466
National School Breakfast Program	05-PU-17	10.553	519,531	403,124
Cash Assistance Subtotal			<u>1,543,988</u>	<u>1,221,590</u>
Nutrition Cluster (Cash and Non-Cash)			1,667,648	1,345,250
Total U.S. Department of Agriculture			1,667,648	1,345,250
U.S. Department of Education				
Impact Aid	2017	84.041	29,440	29,440
Counseling Grant	S215E150130-2016 S215E150130-2017 S215E150130-2018	84.215E	24,788 297,736 41,318	24,788 297,736 41,318
			<u>363,842</u>	<u>363,842</u>
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2016 C1-S1-2017	84.010	171,833 1,306,135	171,833 1,306,135
Title I D Delinquent	C1-SD-2016 C1-SD-2017		15,315 64,905	15,315 64,905
Total Title I - Grants to Local Education Agencies			<u>1,558,188</u>	<u>1,558,188</u>
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-2015 6B-SF-2016	84.027	178,853 541,734	178,853 541,734
Special Education - Preschool Grant	PG-S1-2016 PG-S1-2017	84.173	4,712 25,427	4,712 25,427
Total Special Education Cluster			<u>750,726</u>	<u>750,726</u>
Title II-A Improving Teacher Quality Program	TR-S1-2016 TR-S1-2017	84.367	43,022 155,298	43,022 155,298
Total Title II Improving Teacher Quality Program			<u>198,320</u>	<u>198,320</u>
Advanced Career Innovation Science and Technology grant	V048A150035	84.048A	10,000	10,000
<i>Passed through Old Dominion University Research Foundation</i>				
I 3 Grant	2016	84.411	19,000	0
Total I 3 Grant			<u>19,000</u>	<u>0</u>
Total Department of Education			<u>2,929,516</u>	<u>2,910,516</u>
Total Federal Awards			<u>\$4,597,164</u>	<u>\$4,255,766</u>

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

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Steubenville City School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program 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 189y
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2018.

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 report 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Steubenville City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Steubenville City School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each Major Federal Program

In our opinion, Steubenville City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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 the Uniform Guidance, 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 Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2018

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control 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 – 84.027 & 84.173 Special Education Cluster Unmodified – 84.367 Title II A Improving Teacher Quality
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.027 & 84.173 Special Education Cluster CFDA #84.367 – Improving Teacher Quality
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	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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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
MARCH 15, 2018**