



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Steubenville City School District, Jefferson County (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Steubenville City School District, Jefferson County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our report was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 6, 2002

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**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTY GROUPS
JUNE 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$6,824,882	\$1,706,296	\$973,214	\$2,164,786
Investments in Segregated Accounts				
Receivables:				
Property and Other Local Taxes	4,644,252	94,157	1,355,859	
Intergovernmental	15,283	270,751		
Accrued Interest	2,340			
Inventory Held for Resale				
Materials and Supplies Inventory	9,737			
Prepaid Items	12,555			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	229,930			194,255
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>11,738,979</u>	<u>2,071,204</u>	<u>2,329,073</u>	<u>2,359,041</u>
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	1,646	15,644		
Contracts Payable				785,557
Accrued Wages and Benefits	1,090,283	394,725		
Compensated Absences Payable	41,815	981		
Intergovernmental Payable	212,625	67,606		
Deferred Revenue	3,534,611	69,105	995,107	
Due to Students				
Claims Payable				
Capital Leases Payable				
Energy Conservation Loan Payable				
Payable from Restricted Assets:				
Retainage Payable				194,255
General Obligation Bonds Payable				
Total Liabilities	<u>4,880,980</u>	<u>548,061</u>	<u>995,107</u>	<u>979,812</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	272,363	570,995		953,304
Reserved for Property Taxes	1,111,981	25,052	360,752	
Reserved for Textbooks	56,911			
Reserved for Budget Stabilization	85,496			
Reserved for Bus Purchase	87,523			
Reserved for Endowment				
Unreserved:				
Designated for Budget Stabilization	198,629			
Undesignated	5,045,096	927,096	973,214	425,925
Total Fund Equity and Other Credits	<u>6,857,999</u>	<u>1,523,143</u>	<u>1,333,966</u>	<u>1,379,229</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$11,738,979</u>	<u>\$2,071,204</u>	<u>\$2,329,073</u>	<u>\$2,359,041</u>

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$209,122	\$2,165,377	\$319,161 51,271			\$14,362,838 51,271
61,802					6,094,268 347,836 2,340
9,488					9,488
1,540					11,277 12,555
					424,185
368,737			\$32,606,016		32,974,753
				\$1,333,966	1,333,966
				11,675,445	11,675,445
<u>650,689</u>	<u>2,165,377</u>	<u>370,432</u>	<u>32,606,016</u>	<u>13,009,411</u>	<u>67,300,222</u>
					17,290 785,557 1,490,936
5,928				1,536,903	1,600,057
20,358				88,922	376,322
7,169					4,598,823
		20,937			20,937
	755,298				755,298
				14,416	14,416
				268,771	268,771
					194,255
				11,100,399	11,100,399
<u>33,455</u>	<u>755,298</u>	<u>20,937</u>		<u>13,009,411</u>	<u>21,223,061</u>
			32,606,016		32,606,016 235,148
235,148					
382,086	1,410,079				1,792,165
					1,796,662 1,497,785 56,911 85,496
					87,523 133,893
		133,893			
					198,629
		215,602			7,586,933
<u>617,234</u>	<u>1,410,079</u>	<u>349,495</u>	<u>32,606,016</u>		<u>46,077,161</u>
<u>\$650,689</u>	<u>\$2,165,377</u>	<u>\$370,432</u>	<u>\$32,606,016</u>	<u>\$13,009,411</u>	<u>\$67,300,222</u>

STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<i>Revenues:</i>						
Property and Other Local Taxes	\$3,634,702	\$78,560	\$1,131,263			\$4,844,525
Intergovernmental	9,240,965	4,419,124	143,538	\$1,632,818		15,436,445
Interest	213,679	10,170	22,184	119,874	\$11,775	377,682
Tuition and Fees	1,077,551	79,147				1,156,698
Rent	23,428	8,155				31,583
Extracurricular Activities		213,801				213,801
Gifts and Donations		19,097			38,090	57,187
Miscellaneous	87,311	69,402		200		156,913
Total Revenues	14,277,636	4,897,456	1,296,985	1,752,892	49,865	22,274,834
<i>Expenditures:</i>						
Current:						
Instruction:						
Regular	4,944,389	1,966,121				6,910,510
Special	1,974,537	1,124,389				3,098,926
Vocational	670,194					670,194
Adult/Continuing		30,087				30,087
Other	265,980					265,980
Support Services:						
Pupils	594,355	149,197				743,552
Instructional Staff	179,513	448,938				628,451
Board of Education	20,664					20,664
Administration	1,172,390	244,655				1,417,045
Fiscal	233,227	27,863	25,255			286,345
Business	132,748	12,775				145,523
Operation and Maintenance of Plant	1,396,401	21,295				1,417,696
Pupil Transportation	207,693	9,496				217,189
Central		12,072				12,072
Operation of Non-Instructional Services		468,013			45,950	513,963
Extracurricular Activities	172,323	226,729			2,000	401,052
Capital Outlay	22,600	43,469		8,384,973		8,451,042
Debt Service:						
Principal Retirement		2,631	673,167			675,798
Interest and Fiscal Charges			522,319			522,319
Total Expenditures	11,987,014	4,787,730	1,220,741	8,384,973	47,950	26,428,408
Excess of Revenues Over (Under) Expenditures	2,290,622	109,726	76,244	(6,632,081)	1,915	(4,153,574)
<i>Other Financing Sources (Uses):</i>						
Sale of Fixed Assets	27,352					27,352
Inception of Capital Lease		17,047				17,047
Operating Transfers In			110,025	321,366		431,391
Operating Transfers Out	(431,391)					(431,391)
Total Other Financing Sources (Uses)	(404,039)	17,047	110,025	321,366		44,399
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing U:	1,886,583	126,773	186,269	(6,310,715)	1,915	(4,109,175)
Fund Balances at Beginning of Year - Restated (Nc	4,971,416	1,396,370	1,147,697	7,689,944	194,381	15,399,808
Fund Balances at End of Year	\$6,857,999	\$1,523,143	\$1,333,966	\$1,379,229	\$196,296	\$11,290,633

The notes to the general purpose financial statements are an integral part of this statement.

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STEBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$3,591,346	\$3,591,346	
Intergovernmental	9,242,534	9,242,534	
Interest	214,008	214,008	
Tuition and Fees	1,077,731	1,077,551	(\$180)
Rent	23,428	23,428	
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	87,393	87,311	(82)
Total Revenues	14,236,440	14,236,178	(262)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,867,982	4,894,786	1,973,196
Special	2,394,208	1,943,406	450,802
Vocational	887,844	663,237	224,607
Adult/Continuing			
Other	281,080	270,528	10,552
Support Services:			
Pupils	771,220	583,444	187,776
Instructional Staff	326,609	184,850	141,759
Board of Education	73,051	21,170	51,881
Administration	1,282,817	1,156,018	126,799
Fiscal	275,740	241,883	33,857
Business	254,271	154,833	99,438
Operation and Maintenance of Plant	1,963,580	1,632,119	331,461
Pupil Transportation	281,762	233,850	47,912
Central	110,276		110,276
Non-Instructional Services			
Extracurricular Activities	225,545	179,106	46,439
Capital Outlay	125,613	39,000	86,613
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	16,121,598	12,198,230	3,923,368
Excess of Revenues Over (Under) Expenditures	(1,885,158)	2,037,948	3,923,106
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	27,352	27,352	
Advances Out	(55,000)		55,000
Operating Transfers In			
Operating Transfers Out	(431,391)	(431,391)	
Total Other Financing Sources (Uses)	(459,039)	(404,039)	55,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,344,197)	1,633,909	3,978,106
Fund Balances at Beginning of Year	4,780,007	4,780,007	
Prior Year Encumbrances Appropriated	367,083	367,083	
Fund Balances at End of Year	\$2,802,893	\$6,780,999	\$3,978,106

The notes to the general finance statements are an integral part of this statement.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$77,451	\$77,356	(\$95)	\$1,113,928	\$1,113,928	
4,650,742	4,180,154	(470,588)	143,538	143,538	
10,346	10,171	(175)	22,185	22,185	
80,215	79,146	(1,069)			
8,400	8,155	(245)			
214,672	214,102	(570)			
19,097	19,097				
69,427	69,400	(27)			
<u>5,130,350</u>	<u>4,657,581</u>	<u>(472,769)</u>	<u>1,279,651</u>	<u>1,279,651</u>	
2,396,543	2,263,318	133,225			
1,683,893	1,234,399	449,494			
44,852	43,983	869			
202,057	155,618	46,439			
563,410	459,097	104,313			
		0			
308,689	262,975	45,714			
35,911	27,608	8,303	25,650	25,255	\$395
13,210	12,774	436			
29,975	21,831	8,144			
11,434	9,496	1,938			
23,185	16,082	7,103			
591,011	491,184	99,827			
270,463	242,069	28,394			
31,200	26,422	4,778			
			673,167	673,167	
			557,914	522,319	35,595
<u>6,205,833</u>	<u>5,266,856</u>	<u>938,977</u>	<u>1,256,731</u>	<u>1,220,741</u>	<u>35,990</u>
<u>(1,075,483)</u>	<u>(609,275)</u>	<u>466,208</u>	<u>22,920</u>	<u>58,910</u>	<u>35,990</u>
			110,025	110,025	
			110,025	110,025	
(1,075,483)	(609,275)	466,208	132,945	168,935	35,990
1,143,848	1,143,848		804,279	804,279	
585,247	585,247				
<u>\$653,612</u>	<u>\$1,119,820</u>	<u>\$466,208</u>	<u>\$937,224</u>	<u>\$973,214</u>	<u>\$35,990</u>

STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Property and Other Local Taxes			
Intergovernmental	\$1,632,818	\$1,632,818	
Interest	119,888	119,874	(\$14)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	200	200	
Total Revenues	<u>1,752,906</u>	<u>1,752,892</u>	<u>(14)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	385,700	336,551	49,149
Special			
Vocational			
Adult/Continuing			
Other			
Support Services:			
Pupils			
Instructional Staff	9,734	9,734	
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	9,615,202	9,519,702	95,500
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>10,010,636</u>	<u>9,865,987</u>	<u>144,649</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,257,730)</u>	<u>(8,113,095)</u>	<u>144,635</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets			
Advances Out			
Operating Transfers In	321,366	321,366	
Operating Transfers Out			
Total Other Financing Sources (Uses)	<u>321,366</u>	<u>321,366</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(7,936,364)</u>	<u>(7,791,729)</u>	<u>144,635</u>
Fund Balances at Beginning of Year	<u>6,806,616</u>	<u>6,806,616</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,370,595</u>	<u>1,370,595</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$240,847</u></u>	<u><u>\$385,482</u></u>	<u><u>\$144,635</u></u>

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$4,782,725	\$4,782,630	(\$95)
			15,669,632	15,199,044	(470,588)
\$5,163	\$5,147	(\$16)	371,590	371,385	(205)
			1,157,946	1,156,697	(1,249)
			31,828	31,583	(245)
			214,672	214,102	(570)
38,090	38,090		57,187	57,187	
			157,020	156,911	(109)
<u>43,253</u>	<u>43,237</u>	<u>(16)</u>	<u>22,442,600</u>	<u>21,969,539</u>	<u>(473,061)</u>
			9,650,225	7,494,655	2,155,570
			4,078,101	3,177,805	900,296
			887,844	663,237	224,607
			44,852	43,983	869
			281,080	270,528	10,552
			973,277	739,062	234,215
			899,753	653,681	246,072
			73,051	21,170	51,881
			1,591,506	1,418,993	172,513
			337,301	294,746	42,555
			267,481	167,607	99,874
			1,993,555	1,653,950	339,605
			293,196	243,346	49,850
			133,461	16,082	117,379
47,600	45,950	1,650	638,611	537,134	101,477
2,000	2,000		498,008	423,175	74,833
			9,772,015	9,585,124	186,891
			673,167	673,167	
			557,914	522,319	35,595
<u>49,600</u>	<u>47,950</u>	<u>1,650</u>	<u>33,644,398</u>	<u>28,599,764</u>	<u>5,044,634</u>
<u>(6,347)</u>	<u>(4,713)</u>	<u>1,634</u>	<u>(11,201,798)</u>	<u>(6,630,225)</u>	<u>4,571,573</u>
			27,352	27,352	
			(55,000)	0	55,000
			431,391	431,391	
			(431,391)	(431,391)	
			(27,648)	27,352	55,000
(6,347)	(4,713)	1,634	(11,229,446)	(6,602,873)	4,626,573
196,111	196,111		13,730,861	13,730,861	
0			2,322,925	2,322,925	
<u>\$189,764</u>	<u>\$191,398</u>	<u>\$1,634</u>	<u>\$4,824,340</u>	<u>\$9,450,913</u>	<u>\$4,626,573</u>

STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	
<i><u>Operating Revenues:</u></i>				
Sales	\$156,970			\$156,970
Charges for Services		\$2,197,456		2,197,456
Interest			\$3,488	3,488
Decrease in Fair Value of Investments			(6,986)	(6,986)
Contributions and Donations			10,000	10,000
Total Operating Revenues	156,970	2,197,456	6,502	2,360,928
<i><u>Operating Expenses:</u></i>				
Salaries	178,400			178,400
Fringe Benefits	57,618			57,618
Purchased Services	9,748	405,881		415,629
Materials and Supplies	104,392		91	104,483
Cost of Sales	268,259			268,259
Depreciation	29,966			29,966
Claims		1,959,519		1,959,519
Other	1,756		4,100	5,856
Total Operating Expenses	650,139	2,365,400	4,191	3,019,730
Operating Income (Loss)	(493,169)	(167,944)	2,311	(658,802)
<i><u>Non-Operating Revenues:</u></i>				
Federal Donated Commodities	30,973			30,973
Interest	5,360	818		6,178
Federal and State Subsidies	540,238			540,238
Total Non-Operating Revenues	576,571	818		577,389
Net Income (Loss)	83,402	(167,126)	2,311	(81,413)
Retained Earnings/Fund Balance at Beginning of Year - Restated (Note 3)	298,684	1,577,205	150,888	2,026,777
Retained Earnings/Fund Balance at End of Year	382,086	1,410,079	153,199	1,945,364
Contributed Capital at Beginning of Year	94,000			94,000
Capital Contributed from Other Funds	141,148			141,148
Contributed Capital at End of Year	235,148			235,148
Total Fund Equity at End of Year	\$617,234	\$1,410,079	\$153,199	\$2,180,512

The notes to the general purpose financial statements are an integral part of this statement.

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**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY AND SIMILAR FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Operating Revenues:</u>			
Sales	\$ 156,970	\$ 156,970	
Charges for Services			
Interest			
Contributions and Donations			
Total Operating Revenues	<u>156,970</u>	<u>156,970</u>	
<u>Operating Expenses:</u>			
Salaries	188,150	177,705	\$ 10,445
Fringe Benefits	57,290	48,343	8,947
Purchased Services	20,465	11,432	9,033
Materials and Supplies	396,007	383,448	12,559
Other	1,775	1,756	19
Capital Outlay	<u>28,830</u>	<u>24,162</u>	<u>4,668</u>
Total Operating Expenses	<u>692,517</u>	<u>646,846</u>	<u>45,671</u>
Operating Income (Loss)	(535,547)	(489,876)	45,671
<u>Non-Operating Revenues:</u>			
Interest	5,360	5,360	
Operating Grants	<u>478,694</u>	<u>478,694</u>	
Total Non-Operating Revenues	<u>484,054</u>	<u>484,054</u>	
Net Income (Loss)	(51,493)	(5,822)	45,671
Fund Equity at Beginning of Year	151,213	151,213	
Prior Year Encumbrances Appropriated	<u>33,777</u>	<u>33,777</u>	
Fund Equity at End of Year	<u>\$ 133,497</u>	<u>\$ 179,168</u>	<u>\$ 45,671</u>

The notes to the general purpose financial statements are an integral part of this statement.

Internal Service Fund			Non-Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,197,456	\$ 2,197,456		\$ 3,522	\$ 3,488	\$ (34)
			10,000	10,000	
<u>2,197,456</u>	<u>2,197,456</u>		<u>13,522</u>	<u>13,488</u>	<u>-34</u>
1,914,834	1,914,599	\$ 235			
494,460	494,001	459			
			91	91	
			4,900	4,100	800
<u>2,409,294</u>	<u>2,408,600</u>	<u>694</u>	<u>4,991</u>	<u>4,191</u>	<u>800</u>
(211,838)	(211,144)	694	8,531	9,297	766
850	818	(32)			
<u>850</u>	<u>818</u>	<u>32</u>			
(210,988)	(210,326)	662	8,531	9,297	766
1,921,423	1,921,423		139,943	139,943	
<u>65,601</u>	<u>65,601</u>				
<u>\$ 1,776,036</u>	<u>\$ 1,776,698</u>	<u>\$ 662</u>	<u>\$ 148,474</u>	<u>\$ 149,240</u>	<u>\$ 766</u>

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Totals Proprietary Fund Types</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:			
Sales	\$ 156,970	\$ 156,970	
Charges for Services	2,197,456	2,197,456	
Interest	3,522	3,488	\$ (34)
Contributions and Donations	<u>10,000</u>	<u>10,000</u>	
Total Operating Revenues	<u>2,367,948</u>	<u>2,367,914</u>	<u>(34)</u>
Operating Expenses:			
Salaries	188,150	177,705	10,445
Fringe Benefits	1,972,124	1,962,942	9,182
Purchased Services	514,925	505,433	9,492
Materials and Supplies	396,098	383,539	12,559
Other	6,675	5,856	819
Capital Outlay	<u>28,830</u>	<u>24,162</u>	<u>4,668</u>
Total Operating Expenses	<u>3,106,802</u>	<u>3,059,637</u>	<u>47,165</u>
Operating Income (Loss)	<u>(738,854)</u>	<u>(691,723)</u>	<u>47,131</u>
Non-Operating Revenues:			
Interest	6,210	6,178	(32)
Operating Grants	<u>478,694</u>	<u>478,694</u>	
Total Non-Operating Revenues	<u>484,904</u>	<u>484,872</u>	<u>32</u>
Net Income (Loss)	(253,950)	(206,851)	47,099
Fund Equity at Beginning of Year	2,212,579	2,212,579	
Prior Year Encumbrances Appropriated	<u>99,378</u>	<u>99,378</u>	
Fund Equity at End of Year	<u>\$ 2,058,007</u>	<u>\$ 2,105,106</u>	<u>\$ 47,099</u>

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non Expendable Trust</u>	
<i><u>Increase (Decrease) in Cash and Cash Equivalents:</u></i>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$156,970			\$156,970
Cash Received from Quasi-External Transactions with Other Funds		2,197,456		2,197,456
Cash Received from Contributions and Donations			10,000	10,000
Cash Payments for Employee Services and Benefits	(226,048)	(1,614,040)		(1,840,088)
Cash Payments for Goods and Services	(365,016)	(405,881)	(91)	(770,988)
Other Operating Expenses	(1,756)		(4,100)	(5,856)
Cash Received from Interest			3,488	3,488
Net Cash Provided by (Used in) Operating Activities	<u>(435,850)</u>	<u>177,535</u>	<u>9,297</u>	<u>(249,018)</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>				
Operating Grants Received	<u>478,694</u>			<u>478,694</u>
Net Cash Provided by Noncapital Financing Activities	<u>478,694</u>			<u>478,694</u>
<i><u>Cash Flows from Capital and Related Financing Activities:</u></i>				
Payments for Capital Acquisitions	<u>(24,072)</u>			<u>(24,072)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(24,072)</u>			<u>(24,072)</u>
<i><u>Cash Flows from Investing Activities:</u></i>				
Receipts of Interest	<u>5,360</u>	<u>818</u>		<u>6,178</u>
Net Cash Provided by Investing Activities	<u>5,360</u>	<u>818</u>		<u>6,178</u>
Net Increase in Cash and Cash Equivalents	24,132	178,353	9,297	211,782
Cash and Cash Equivalents at Beginning of Year	<u>184,990</u>	<u>1,987,024</u>	<u>127,033</u>	<u>2,299,047</u>
Cash and Cash Equivalents at End of Year	<u>\$209,122</u>	<u>\$2,165,377</u>	<u>\$136,330</u>	<u>\$2,510,829</u>
<i><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</u></i>				
Operating Income (Loss)	<u>(\$493,169)</u>	<u>(\$167,944)</u>	<u>\$2,311</u>	<u>(\$658,802)</u>
<i><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</u></i>				
Depreciation	29,966			29,966
Federal Donated Commodities Used	26,249			26,249
Change in Fair Value of Investments			6,986	6,986
Changes in Assets and Liabilities:				
Decrease in Materials and Supplies Inventory	81			81
Increase in Inventory Held for Resale	(1,680)			(1,680)
Decrease in Prepaid Items	1,175			1,175
Decrease in Accounts Payable	(6,599)			(6,599)
Increase in Accrued Wages and Benefits	678			678
Increase in Compensated Absences	11,363			11,363
Decrease in Intergovernmental Payable	(3,914)			(3,914)
Increase in Claims Payable		345,479		345,479
Total Adjustments	<u>57,319</u>	<u>345,479</u>	<u>6,986</u>	<u>409,784</u>
Net Cash Provided by (Used in) Operating Activities	<u>(\$435,850)</u>	<u>\$177,535</u>	<u>\$9,297</u>	<u>(\$249,018)</u>
Non-Cash Transactions: During fiscal year 2002, the Food Service enterprise fund received \$30,973 in federal donated commodities. The Food Service enterprise fund received capital contributions from other funds in the amount of \$141,148 for equipment in conjunction with the classroom facilities project.				
<i><u>Reconciliation of Cash and Cash Equivalents:</u></i>				
Cash and Cash Equivalents - All Fiduciary Funds				\$319,161
Cash and Cash Equivalents - Expendable Trust Fund				\$161,894
Cash and Cash Equivalents - Agency Fund				<u>\$20,937</u>
Cash and Cash Equivalents - Non Expendable Trust Fund				<u>\$136,330</u>

The notes to the general purpose financial statements are an integral part of this statement.

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**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

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 approximately 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 78 non-certificated employees, 190 certificated full-time teaching personnel, and 17 administrative employees who provide services to 2,550 students and other community members. The School District currently operates 6 elementary schools, 1 middle school and 1 high school for instruction, and 1 administrative building.

Reporting Entity:

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

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

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

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

The School District participates in the Ohio Mid-Eastern Educational Service Agency the Jefferson County Joint Vocational School, and the Ohio School Boards Association Workers Compensation Group Rating Plan, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - Internal service funds account 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.

Fiduciary Fund Types:

Fiduciary fund types are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust fund is accounted for in essentially the same manner as governmental funds. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds and the non-expendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund types and the non-expendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds and the non-expendable trust fund.

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 with sixty day 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. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations by fund cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has the authority to further allocate fund appropriations passed by the Board of Education.

Advances In and Out are not required to be budgeted since they represent a temporary cash flow and are intended to be repaid.

Tax Budget:

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

By no later than January 20, the Board-adopted budget is filed with the Jefferson County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the certificate that was in effect at the time final appropriations were passed.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. 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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2002, investments were limited to common stock, repurchase agreements, certificates of deposit and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2002.

Following Ohio statues, 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 2002 amounted to \$213,679, which includes \$54,194, assigned from other School District funds.

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

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts for retainage held in connection with the school facilities construction project, money restricted for the purchase of buses, and for amounts required by statute to be set-aside by the School District for textbook and materials purchases and budget stabilization. See Note 17 for additional information regarding these set-asides.

F. 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.

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale. Inventory is expensed/expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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 capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Interest incurred during the construction of general fixed assets is not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to ten years.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District 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 all employees with more than one years of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year-end are considered not to have been paid with current financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary fund operations are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves/Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks, budget stabilization, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The School District reports a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds prior to fiscal year 2001, that is not subject to repayment.

After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – PRIOR PERIOD RESTATEMENTS

The fund classification was updated during fiscal year 2002 to reclassify numerous funds, including the reclassification of the uniform school supplies fund, previously reported as an enterprise fund to be combined with the general fund, as well as several other funds previously reported as enterprise funds that were reclassified as special revenue funds. The restatement also included the correction of accrual adjustments at June 30, 2001.

	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>
Fund Balances at June 30, 2001	\$4,981,067	\$1,341,661	\$93,683
Fund Reclassifications:			
Enterprise to General	(9,651)	0	0
Enterprise to Special Revenue	0	54,709	0
Non-Expendable Trust to Expendable Trust	0	0	100698
Adjusted Fund Balances at June 30, 2001	<u>\$4,971,416</u>	<u>\$1,396,370</u>	<u>\$194,381</u>

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
Retained Earnings at June 30, 2001	\$342,151	\$251,586
Miscellaneous Accrual Adjustments	1,591	0
Fund Reclassifications:		
Enterprise to General	9,651	0
Enterprise to Special Revenue	(54,709)	0
Non-Expendable Trust to Expendable Trust	0	(100,698)
Adjusted Retained Earnings at June 30, 2001	<u>\$298,684</u>	<u>\$150,888</u>

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) All Proprietary Fund Types and Non-Expendable Trust Fund are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$1,886,583	\$126,773	\$186,269	(\$6,310,715)	\$1,915
Revenue Accruals	(41,458)	(256,922)	(17,334)	0	0
Expenditure Accruals	62,597	107,350	0	492,545	0
Change in Fair Value	0	0	0	0	(6,628)
Encumbrances	(273,813)	(586,476)	0	(1,973,559)	0
Budget Basis	<u>\$1,633,909</u>	<u>(\$609,275)</u>	<u>\$168,935</u>	<u>(\$7,791,729)</u>	<u>(\$4,713)</u>

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
All Proprietary Fund Types and Non Expendable Trust Fund

	Enterprise	Internal Service	Non Expendable Trust
GAAP Basis	\$83,402	(\$167,126)	\$2,311
Revenue Accruals	(90,940)	0	0
Expense Accruals	27,353	345,479	0
Federal Donated Commodities	(1,577)	0	0
Capital Acquisitions	(24,072)	0	0
Change in Fair Market Value	0	0	6,986
Depreciation Expense	29,966	0	0
Encumbrances	(29,954)	(388,679)	0
Budget Basis	<u>(\$5,822)</u>	<u>(\$210,326)</u>	<u>\$9,297</u>

NOTE 5 - CASH AND CASH EQUIVALENTS

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

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

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

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.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

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

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits were \$463,140 and the bank balance was \$995,463. Of the bank balance:

- A. \$100,000 was covered by federal depository insurance; and
- B. \$895,463 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Carrying and Fair Value</u>
Common Stock	\$51,271	\$0	\$0	\$51,271
Repurchase Agreements	0	7,562,910	0	7,562,910
STAR Ohio	0	0	6,760,973	6,760,973
Total	<u>\$51,271</u>	<u>\$7,562,910</u>	<u>\$6,760,973</u>	<u>\$14,375,154</u>

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

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

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$14,787,023	\$51,271
Investments:		
Repurchase Agreements	(7,562,910)	7,562,910
STAR Ohio	(6,760,973)	6,760,973
GASB Statement 3	\$463,140	\$14,375,154

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

Real property taxes are levied after April 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2002 on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$135,616,210	77.00%	\$136,165,860	79.40%
Public Utility Personal	14,842,190	8.43%	11,330,500	6.60%
Tangible Personal	25,674,015	14.57%	24,009,109	14.00%
	<u>\$176,132,415</u>	<u>100.00%</u>	<u>\$171,505,469</u>	<u>100.00%</u>

Tax Rate per \$1,000 of assessed valuation \$36.45 \$36.45

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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, 2002 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance, at June 30, 2002 was \$1,497,785 and is recognized as revenue. \$1,111,981 was available to the General Fund, \$25,052 to the Classroom Facilities Special Revenue Fund, and \$360,752 to the Debt Service Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 7 – RECEIVABLES (Continued)

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund Excess Cost Billings	<u>\$15,283</u>
 <u>Special Revenue Funds:</u>	
Preschool Disabilities Grant	2,949
Adult Basic Grant	3,574
Title VIB	28,079
Title I	<u>236,149</u>
 Total Special Revenue Funds	 <u>270,751</u>
 Enterprise Fund:	
Food Service Federal and State Operating Subsidies	<u>61,802</u>
Total Intergovernmental Receivables	<u><u>\$347,836</u></u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture, Equipment and Vehicles	\$666,526
Less Accumulated Depreciation	<u>(297,789)</u>
Net Fixed Assets	<u><u>\$368,737</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$1,565,374	\$0	\$0	\$1,565,374
Buildings and Improvements	17,436,096	9,907,311	1,125,771	26,217,636
Furniture, Fixtures and Equipment	3,679,731	740,163	149,625	4,270,269
Vehicles	627,837	0	75,100	552,737
Construction in Progress	<u>6,898,565</u>	<u>0</u>	<u>6,898,565</u>	<u>0</u>
Totals	<u><u>\$30,207,603</u></u>	<u><u>\$10,647,474</u></u>	<u><u>\$8,249,061</u></u>	<u><u>\$32,606,016</u></u>

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school district contracts with Zurich Specialties London Limited Insurance Company for errors and omissions coverage with a \$5,000 deductible and limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000, and with Selective Insurance Company for general liability coverage with a \$1,000 deductible and limits of liability for each wrongful acts varying from \$1,000,000 to \$2,000,000 and annual policy aggregate limits varying between \$3,000,000 and \$4,000,000.

The School District contracted with Utica National Insurance Group for fleet insurance. The fleet policy has various limits of coverage ranging from \$1,000 to \$1,000,000.

The School District contracted with Utica National Insurance Group for property coverage. The property insurance policy is a replacement cost policy with a \$2,500 deductible. The total coverage of the policy is \$47,926,040.

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

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with Medical Mutual of Ohio to provide third-party administration services of the self insurance plan. Employees have a choice to participate in a traditional plan or a preferred provider plan. The Board pays 100 percent of the premiums which are \$1,001.94 per family and \$404.27 for single for the traditional plan, or \$933.56 for family and \$356.25 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$755,298 reported in the internal service fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$565,330	\$1,505,192	\$1,660,703	\$409,819
2002	409,819	1,959,519	1,614,040	755,298

**STEUBENVILLE CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 9 - RISK MANAGEMENT (Continued)

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9.0 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$60,040, \$48,697 and \$68,674 respectively; 44.01 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$136,101 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**STEUBENVILLE CITY SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$845,148, \$849,777 and \$511,999, respectively; 83.91 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$200,449 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

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

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

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

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$164,131.

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

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Other Insurance Benefits

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

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures.

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

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$17,714, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$2,631 in the governmental funds.

Future minimum lease payments through 2006 are as follows:

<u>Year</u>	<u>Amount</u>
2003	\$4,491
2004	4,491
2005	4,491
2006	3,600
2007	<u>1,692</u>
Total	18,765
Less: Amount Representing Interest	<u>(4,349)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$14,416</u></u>

NOTE 14 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 14 - LONG - TERM OBLIGATIONS (Continued)

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
1993 High School Addition and Improvements 5.95%, Series A Bonds	\$790,000	\$0	\$25,000	\$765,000
1998 Refunding Bonds - Variable Interest Bonds	7,529,534	72,707	450,000	7,152,241
School Facilities Bond 2000 - 4.4% - 5.5%	3,256,777	21,381	95,000	3,183,158
Energy Conservation Loans	371,938	0	103,167	268,771
Total Bonds and Loans	11,948,249	94,088	673,167	11,369,170
Capital Leases	0	17,047	2,631	14,416
Pension Obligation	100,850	88,922	100,850	88,922
Compensated Absences	1,346,223	546,937	356,257	1,536,903
Total General Long-Term Obligations	\$13,395,322	\$746,994	\$1,132,905	\$13,009,411

Capital leases will be paid from the Miscellaneous Local Special Revenue Fund. Compensated absences and the pension obligation, which represents the contractually required pension contribution paid outside the available period, will be paid from the fund from which the employees' salaries are paid.

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

On September 30, 1998, the School District issued \$9,790,362 in general obligation bonds, which included capital appreciation bonds (deep discount bonds). The refunding bonds replaced \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. Because of the deep discount associated with the issuance of capital appreciation bonds, the School District records the annual accretion of the discount interest in the general long-term obligations account group. The bonds were issued for a 23 year period with final maturity at December 1, 2022. The liability for the bonds is recorded in the General Long Term Obligations Account Group with annual principal and interest requirements retired from the Debt Service Fund. Principal outstanding at June 30, 2002 amounted to \$7,152,241 including current year accretion of \$72,707. \$9,653,900 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1993 Series B School Improvement Bonds. As of June 30, 2002, \$8,068,616 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the general long-term obligations account group.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 14 - LONG - TERM OBLIGATIONS (Continued)

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

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2013	\$600,000
2014	625,000
2015	660,000
2016	695,000
2017	<u>655,000</u>
	<u><u>\$3,235,000</u></u>

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

The capital appreciation bonds for the 1998 issue mature December 1, 2008 through December 1, 2011. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,385,000. For fiscal year 2002, \$72,707 was accreted for a total bond liability of \$767,241. The principal amount to be redeemed on December 1 each year as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2009	\$595,000
2010	595,000
2011	600,000
2012	<u>595,000</u>
	<u><u>\$2,385,000</u></u>

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 14 - LONG - TERM OBLIGATIONS (Continued)

On November 1, 2000, the School District issued \$3,245,000 in voted general obligation bonds which included capital appreciation bonds (deep discount bonds) to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. Because of the deep discount associated with the issuance of the capital appreciation bonds, the School District records the annual accretion of the discount interest in the General Long-Term Obligations Account Group. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. The liability for the bonds is recorded in the General Long-Term Obligations Account Group with annual principal and interest requirements retired from the debt service fund. Principal outstanding at June 30, 2002 amounted to \$3,183,158 including current year accretion of \$21,381.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building. The School District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every five years for the term of the bond. The 2000 bond issue consists of serial, term, and capital appreciation bonds. The term bonds that mature December 1, 2015 through December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015 through December 1, 2022 as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2016	\$170,000
2017	180,000
2018	190,000
2019	200,000
2020	210,000
2021	220,000
2022	235,000
2023	<u>250,000</u>
	<u><u>\$1,655,000</u></u>

The capital appreciation bonds for the 2000 issue mature December 1, 2011 through December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$680,000. For fiscal year 2002, \$21,381 was accreted for a total bond liability of \$318,158 and the principal amount to be redeemed on December 1 each year is as follows:

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 14 - LONG - TERM OBLIGATIONS (Continued)

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2012	\$170,000
2013	170,000
2014	170,000
2015	170,000
	<u>\$680,000</u>

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

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

Annual requirements to retire general obligation debt, including loans outstanding at June 30, 2002 are as follows:

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

<u>Fiscal Year Ending June 30, 2002</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$30,000	\$46,969	\$76,969
2004	30,000	45,056	75,056
2005	30,000	43,144	73,144
2006	35,000	41,094	76,094
2007	35,000	38,906	73,906
2008-2012	220,000	156,249	376,249
2013-2018	385,000	76,409	461,409
Total	<u>\$765,000</u>	<u>\$447,827</u>	<u>\$1,212,827</u>

Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2002, including accretion of \$917,502 are as follows:

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 14 - LONG - TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30, 2002	Principal	Interest	Total
2003	\$490,000	\$287,413	\$777,413
2004	500,000	268,230	768,230
2005	500,000	248,480	748,480
2006	535,000	227,646	762,646
2007	550,000	205,400	755,400
2008-2012	2,002,437	1,818,828	3,821,265
2013-2017	3,235,000	434,047	3,669,047
Total	<u>\$7,812,437</u>	<u>\$3,490,044</u>	<u>\$11,302,481</u>

Principal and interest requirements to retire the 2000 Classroom Facilities Variable Interest Bonds outstanding at June 30, 2002, including accretion interest of \$685,000 are as follows:

Fiscal Year Ending June 30, 2002	Principal	Interest	Total
2003	\$110,000	\$146,918	\$256,918
2004	115,000	141,883	256,883
2005	120,000	136,566	256,566
2006	130,000	130,846	260,846
2007	135,000	124,717	259,717
2008-2012	770,000	523,365	1,293,365
2013-2017	860,000	444,080	1,304,080
2018-2022	1,055,000	223,860	1,278,860
2023	250,000	7,000	257,000
Total	<u>\$3,545,000</u>	<u>\$1,879,235</u>	<u>\$5,424,235</u>

Principal and interest requirements to retire the Energy Conservation Loans outstanding at June 30, 2002 are as follows:

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 14 - LONG - TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30, 2002	Principal	Interest	Total
2003	\$108,096	\$11,615	\$119,711
2004	106,841	7,919	114,760
2005	35,217	2,187	37,404
2006	18,617	380	18,997
Total	<u>\$268,771</u>	<u>\$22,101</u>	<u>\$290,872</u>

The School District's overall legal debt margin was \$4,335,093 with an unvoted debt margin of \$171,505 at June 30, 2002.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Jefferson Vocational School – The Jefferson County 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 2002, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2002, the total amount paid to OME-RESA from the School District was \$22,682. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

NOTE 16 – 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.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

The designated fund balance represents money the Board has elected to continue to set-aside for budget stabilization under 5705.13, Ohio Revised Code for the amount in the budget reserve at June 30, 2002.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2001	\$102,604	\$82,992	\$85,496
Current Year Set-aside Requirement	257,971	257,971	0
Offsetting Revenues/Transfers	0	(398,722)	0
Qualifying Disbursements	(303,664)	(1,570,690)	0
Totals	<u>\$56,911</u>	<u>(\$1,628,449)</u>	<u>\$85,496</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$56,911</u>	<u>(\$1,628,449)</u>	<u>\$85,496</u>
Set-aside Reserve Balance as of June 30, 2002	<u>\$56,911</u>	<u>\$0</u>	<u>\$85,496</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$142,407.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 18 – 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, 2002.

B. Litigation

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

NOTE 19 – CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments for the completion of construction of the new middle school as follows:

Contractor	Contract Amount	Amount Expended	Balance at June 30, 2002
Architectural Vision Group	\$710,785	\$635,586	\$75,199
Davison Electric	786,577	735,362	51,215
Ed-Tech Services	135,413	96,255	39,158
Grae-Con Construction, Inc.	5,601,919	4,878,057	723,862
Prout Boiler Heating and Welding, Inc.	150,106	135,171	14,935
Rizzi Distributors, Inc.	156,856	131,798	25,058
RSV Incorporated	793,387	467,816	325,571
Tiffin Scenci Studio's, Inc.	29,850	0	29,850
W.G. Tomko and Sons, Inc.	453,886	434,236	19,650
Waller-Duman, Inc.	237,802	169,146	68,656
World Radio Telecommunications	175,711	0	175,711
York Mahoning, Inc.	1,673,623	1,528,915	144,708
Totals	\$10,905,915	\$9,212,342	\$1,693,573

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

NOTE 20 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU-02	10.550		\$27,517		\$26,249
National School Lunch Program	04-PU-02	10.555	341,346		341,346	
National School Breakfast Program	05-PU-02	10.553	95,377		95,377	
Childcare Aid		10.558	5,164		5,164	
Total U.S. Department of Agriculture - Nutrition Cluster			441,887	27,517	441,887	26,249
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States Title VI-B Flow Through	6B-SF-01P	84.027			68,466	
	6B-SF-02P		252,712		193,524	
Indicators of Success Project	6B-EC-01P		4,032		4,032	
Special Education - Preschool Grant	PG-S1-00	84.173			10,633	
	PG-S1-01		26,542		20,581	
	SPM-01				4,221	
	SPM-02		25,000		18,631	
Total Special Education Cluster			308,286	0	320,088	0
Title VI R Classroom Reduction Grant	CR-S1-00	84.340				
	CR-S1-01		14,072		21,383	
	CR-S1-02		167,987		126,550	
Total Title VI R Classroom Reduction Grant			182,059	0	147,933	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01	84.010			251,645	
	C1-S1-01C		11,322		42,729	
	C1-S1-02		912,894		818,418	
			924,216	0	1,112,792	0
Even Start Grant	EV-S3-01	84.213			61,445	
	EV-S4-02		104,906		80,978	
Total Even Start			104,906	0	142,423	
Innovative Educational Program Strategies	C2-S1-01	84.298			11,854	
	C2-S1-02		24,745		19,010	
Total Innovative Educational Programs			24,745	0	30,864	0
Drug-Free Schools Grant	DR-S1-01	84.186	4,472		6,448	
	DR-S1-02		10,088		5,391	
			14,560	0	11,839	0
Title II - Dwight D. Eisenhower Program	MS-S1-00	84.281	1783		10,905	
	MS-S1-02		21,222		7,570	
Total Title II			23,005	0	18,475	0
Learn and Serve Grant	G2-SV-01	94.004			4,166	
Raising the Bar Grant		84.318	100,000		100,000	
			75,000		75,000	
			25,000		25,000	
Technology Literacy Grant			9,000		9,000	
Total Raising the Bar Grant			209,000	0	209,000	0

**STEBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Fund for Improvement of Education	R215K020346	84.215K	16,980		16,980
21st Century Grant - After School Learning Center Grant	S287B010215	84.287B	76,895		76,895
Impact Aid		84.041	11,834		
Adult Basic Education	AB-S1-01 AB-S1-01C AB-S1-02	84.002		<u>57,802</u>	<u>57,802</u>
				57,802	57,802
Child Care Development Block Grant	DC-S1-95 DC-S1-99	93.575			255 905
Total Child Care Development Block Grant					1,160
Total Department of Education			<u>1,954,288</u>		<u>2,150,417</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through the Ohio Department of Mental Retardation and Development Disabilities					
Community Alternative Funding System		93.778	<u>38,957</u>		<u>38,957</u>
Total Federal Financial Assistance			<u>\$2,435,132</u>	<u>\$27,517</u>	<u>\$2,631,261</u>
					<u>\$26,249</u>

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

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. FOOD DISTRIBUTION

Non monetary assistance, such as food received from the U.S. Department of agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the district had no significant food commodities in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of Steubenville City School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Steubenville City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Steubenville City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 6, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

December 6, 2002



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

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

To the Board of Education:

Compliance

We have audited the compliance of Steubenville City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. Steubenville City School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Steubenville City School District's management. Our responsibility is to express an opinion on Steubenville City School District's compliance based on our audit.

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

In our opinion, Steubenville City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Steubenville City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Steubenville City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

December 6, 2002

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None	
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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
JANUARY 9, 2003**