



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on February 23, 2004 due to the School District's declining financial condition. Note 21 to the financial statements describes management's current financial status. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 19, 2008

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The discussion and analysis of St. Clairsville-Richland City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

- Net assets increased \$1,046,378.
- General revenues accounted for \$12,582,086 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for \$2,966,700 or 19 percent of total revenues of \$15,548,786.
- Total assets of governmental activities increased by \$266,427 primarily due to an increase in equity in pooled cash and cash equivalents which is slightly offset by annual depreciation expense.
- The School District had \$14,502,408 in expenses related to governmental activities; only \$2,966,700 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues of \$12,582,086 were adequate to provide for these programs.
- The School District had two major funds, the General Fund and the Debt Service Fund. The General Fund had \$12,479,778 in revenues and \$11,969,151 in expenditures. Including other financing sources (uses), the General Fund's balance increased \$100,627. The Debt Service Fund had revenues in the amount of \$914,666 and expenditures in the amount of \$906,540 which resulted in a fund balance increase of \$8,126.

**Using this Annual Financial Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the General Fund and the Debt Service Fund are the only major or significant funds.

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be governmental activities:

- Governmental Activities – The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, debt service and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

**Reporting the School District's Fiduciary Responsibilities**

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

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1  
Net Assets  
Governmental Activities

	2008	2007	Change
<b>Assets</b>			
Current and Other Assets	\$13,235,883	\$12,909,223	\$326,660
Capital Assets	8,724,568	8,784,801	(60,233)
Total Assets	<u>21,960,451</u>	<u>21,694,024</u>	<u>266,427</u>
<b>Liabilities</b>			
Long-Term Liabilities	5,712,111	6,370,683	(658,572)
Other Liabilities	8,574,231	8,695,610	(121,379)
Total Liabilities	<u>14,286,342</u>	<u>15,066,293</u>	<u>(779,951)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	4,181,206	3,534,520	646,686
Restricted	1,677,671	1,284,922	392,749
Unrestricted	1,815,232	1,808,289	6,943
Total Net Assets	<u>\$7,674,109</u>	<u>\$6,627,731</u>	<u>\$1,046,378</u>

Total assets increased \$266,427, primarily due to an increase in equity in pooled cash and cash equivalents, which is slightly offset by annual depreciation expense. Long-term liabilities decreased due to debt service payments on long-term debt.

Overall net assets of the School District's governmental activities increased by \$1,046,378. This increase was partially due to the reduction of expenses below revenues as well as increases in invested in capital assets, net of debt due primarily to the reduction of long-term liabilities through annual debt service payments. In addition, the School District's restricted net assets increased due to additional grant funding. The School District currently has \$1,815,232 in unrestricted net assets compared to unrestricted net assets of \$1,808,289 in the prior fiscal year.

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

Table 2  
 Changes in Net Assets  
 Governmental Activities

	2008	2007	Change
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services and Sales	\$1,443,053	\$1,771,005	(\$327,952)
Operating Grants and Contributions	1,517,458	1,402,562	114,896
Capital Grants and Contributions	6,189	11,061	(4,872)
<b>Total Program Revenues</b>	<b>2,966,700</b>	<b>3,184,628</b>	<b>(217,928)</b>
<i>General Revenue</i>			
Property Taxes	7,296,920	7,560,719	(263,799)
Grants and Entitlements	4,747,371	4,568,983	178,388
Gifts and Donations	3,590	882	2,708
Investment Earnings	193,391	210,073	(16,682)
Gain on Sale of Capital Assets	176,450	0	176,450
Miscellaneous	164,364	109,883	54,481
<b>Total General Revenues</b>	<b>12,582,086</b>	<b>12,450,540</b>	<b>131,546</b>
<b>Total Revenues</b>	<b>15,548,786</b>	<b>15,635,168</b>	<b>(86,382)</b>
<b>Program Expenses</b>			
Instruction:			
Regular	6,580,573	6,324,582	255,991
Special	1,379,897	1,281,162	98,735
Vocational	24,830	25,241	(411)
Support Services:			
Pupil	646,925	600,838	46,087
Instructional Staff	563,401	487,080	76,321
Board of Education	27,069	24,183	2,886
Administration	1,029,200	981,981	47,219
Fiscal	469,791	466,058	3,733
Business	0	1,045	(1,045)
Operation and Maintenance of Plant	1,160,516	1,189,164	(28,648)
Pupil Transportation	843,645	806,834	36,811
Central	245,523	370,094	(124,571)
Operation of Non-Instructional Services	230,918	151,597	79,321
Food Service Operations	446,962	417,623	29,339
Extracurricular Activities	624,346	547,964	76,382
Interest and Fiscal Charges	228,812	242,876	(14,064)
<b>Total Expenses</b>	<b>14,502,408</b>	<b>13,918,322</b>	<b>584,086</b>
Change in Net Assets	1,046,378	1,716,846	(670,468)
Net Assets Beginning of Year	6,627,731	4,910,885	1,716,846
<b>Net Assets End of Year</b>	<b>\$7,674,109</b>	<b>\$6,627,731</b>	<b>\$1,046,378</b>

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

**Governmental Activities**

Property taxes made up approximately 47 percent of revenues for the School District in fiscal year 2008. Charges for services program revenue decreased \$327,952 from the prior year due to a decrease in students attending the School District from the Oakview Juvenile Residential Center.

Instruction comprises approximately 55 percent of governmental program expenses, and reflected a \$354,315 increase from fiscal year 2007. Overall, program expenses of the School District increased by \$584,086, with the largest increase being reflected in regular instruction due primarily to the purchase of new textbooks during fiscal year 2008. These increases were offset by reductions in central support services.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2008 compared to fiscal year 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$6,580,573	\$6,324,582	\$5,453,123	\$4,941,341
Special	1,379,897	1,281,162	757,538	701,656
Vocational	24,830	25,241	20,369	19,434
Support Services				
Pupil	646,925	600,838	602,322	556,326
Instructional Staff	563,401	487,080	387,282	305,525
Board of Education	27,069	24,183	27,069	24,183
Administration	1,029,200	981,981	949,630	870,960
Fiscal	469,791	466,058	469,791	466,058
Business	0	1,045	0	1,045
Operation and Maintenance of Plant	1,160,516	1,189,164	1,160,516	1,189,077
Pupil Transportation	843,645	806,834	827,141	787,059
Central	245,523	370,094	233,978	357,613
Operation of Non-Instructional Services	230,918	151,597	39,142	(32,888)
Food Service Operations	446,962	417,623	36,281	(1,847)
Extracurricular Activities	624,346	547,964	342,714	305,276
Interest and Fiscal Charges	228,812	242,876	228,812	242,876
Total Expenses	<u>\$14,502,408</u>	<u>\$13,918,322</u>	<u>\$11,535,708</u>	<u>\$10,733,694</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 78 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenue support is approximately 80 percent.

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. Total Governmental Funds had \$15,258,785 in revenues and \$15,238,528 in expenditures, overall, including other financing sources (uses), the Governmental Funds balances increased \$346,207. The net fund balance increase indicates that spending was covered by resources.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2008 the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budget. The actual results of operations were significantly different than budgeted amounts as taxes and intergovernmental revenue came in higher than estimates and spending in most categories were lower than budgeted appropriations.

***Capital Assets and Debt Administration***

***Capital Assets***

At the end of fiscal year 2008, the School District had \$8,724,568 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

Table 4  
 Capital Assets Net of Depreciation  
 Governmental Activities

	2008	2007
Land	\$700,855	\$444,105
Buildings and Improvements	7,034,356	7,300,734
Furniture and Equipment	670,976	707,269
Vehicles	318,381	332,693
Totals	\$8,724,568	\$8,784,801

For more information on capital assets see Note 9 to the basic financial statements.

**Debt**

At June 30, 2008, the School District had \$5,053,240 outstanding in general obligation bonds and energy conservation loans with \$763,953 due within one year.

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

Table 5 summarizes bonds and notes outstanding:

Table 5  
 Outstanding Debt at Year End  
 Governmental Activities

	2008	2007
2002 School Improvement and Construction		
General Obligation Bonds		
Serial Bonds	\$4,245,000	\$4,950,000
Capital Appreciation Bonds	119,111	119,111
Bond Premium	190,425	234,346
Bond Discount	(11,864)	(14,603)
Capital Appreciation Bond Accretion of Interest	260,035	195,423
2005 Energy Conservation Loan	250,533	268,901
Total	\$5,053,240	\$5,753,178

See Note 14 for more detailed information on the School District's debt.

**Economic Factors**

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

In fiscal year 2008, the School District purchased land from the City of St. Clairsville and also sold land to the City of St. Clairsville. The land now owned by the School District is the area commonly known as the north end of the fairgrounds property. The School District has hired MKC architects to develop a long range plan for this property and hopes to have this completed by March of 2009.

Based on the most recent Board approved five year forecast, the School District will be challenged to maintain financial stability in future years. This forecast projects deficit spending from fiscal year 2010 through fiscal year 2013, which will eliminate the carryover fund balance of School District at the end of fiscal year 2008. The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

**Contacting the School District's Financial Management**

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

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**St. Clairsville-Richland City School District**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,729,656
Intergovernmental Receivable	486,210
Prepaid Items	19,682
Materials and Supplies Inventory	50,232
Property Taxes Receivable	7,742,440
Cash and Cash Equivalents with Fiscal Agents	148,245
Deferred Charges	59,418
Non-Depreciable Capital Assets	700,855
Depreciable Capital Assets, Net	<u>8,023,713</u>
<i>Total Assets</i>	<u>21,960,451</u>
<b>Liabilities</b>	
Accounts Payable	71,698
Accrued Wages and Benefits Payable	1,218,429
Intergovernmental Payable	377,983
Matured Severance Payable	11,963
Accrued Interest Payable	13,581
Claims Payable	12,403
Retainage Payable	65,687
Deferred Revenue	6,802,487
Long-Term Liabilities:	
Due Within One Year	842,849
Due In More Than One Year	<u>4,869,262</u>
<i>Total Liabilities</i>	<u>14,286,342</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,181,206
Restricted for:	
Capital Projects	386,695
Debt Service	692,231
Set Asides	70,232
State Programs	42,230
Federal Programs	355,734
Food Service	5,237
Other Purposes	125,312
Unrestricted	<u>1,815,232</u>
<i>Total Net Assets</i>	<u><u>\$7,674,109</u></u>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$6,580,573	\$987,494	\$139,956	\$0	(\$5,453,123)
Special	1,379,897	34,151	588,208	0	(757,538)
Vocational	24,830	0	4,461	0	(20,369)
Support Services:					
Pupil	646,925	0	44,603	0	(602,322)
Instructional Staff	563,401	0	176,119	0	(387,282)
Board of Education	27,069	0	0	0	(27,069)
Administration	1,029,200	18,307	61,263	0	(949,630)
Fiscal	469,791	0	0	0	(469,791)
Operation and Maintenance of Plant	1,160,516	0	0	0	(1,160,516)
Pupil Transportation	843,645	0	10,315	6,189	(827,141)
Central	245,523	0	11,545	0	(233,978)
Operation of Non-Instructional Services	230,918	0	191,776	0	(39,142)
Food Service Operations	446,962	176,372	234,309	0	(36,281)
Extracurricular Activities	624,346	226,729	54,903	0	(342,714)
Interest and Fiscal Charges	228,812	0	0	0	(228,812)
<i>Total Governmental Activities</i>	<u>\$14,502,408</u>	<u>\$1,443,053</u>	<u>\$1,517,458</u>	<u>\$6,189</u>	<u>(11,535,708)</u>
<b>General Revenues</b>					
					6,495,096
					801,824
					4,747,371
					3,590
					193,391
					176,450
					164,364
<i>Total General Revenues</i>					<u>12,582,086</u>
					1,046,378
<i>Net Assets Beginning of Year</i>					<u>6,627,731</u>
<i>Net Assets End of Year</i>					<u>\$7,674,109</u>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,084,310	\$800,362	\$698,065	\$4,582,737
Cash and Cash Equivalents with Fiscal Agents	148,245	0	0	148,245
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	81,232	0	65,687	146,919
Receivables:				
Property Taxes	6,913,323	829,117	0	7,742,440
Intergovernmental	34,151	0	452,059	486,210
Interfund	86,838	0	0	86,838
Prepaid Items	19,682	0	0	19,682
Materials and Supplies Inventory	46,584	0	3,648	50,232
<i>Total Assets</i>	<u>\$10,414,365</u>	<u>\$1,629,479</u>	<u>\$1,219,459</u>	<u>\$13,263,303</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$46,708	\$0	\$24,990	\$71,698
Accrued Wages and Benefits	1,116,701	0	101,728	1,218,429
Claims Payable	12,403	0	0	12,403
Matured Severance Payable	11,963	0	0	11,963
Interfund Payable	0	0	86,838	86,838
Intergovernmental Payable	341,975	0	36,008	377,983
Retainage Payable	0	0	65,687	65,687
Deferred Revenue	6,570,870	782,764	298,352	7,651,986
<i>Total Liabilities</i>	<u>8,100,620</u>	<u>782,764</u>	<u>613,603</u>	<u>9,496,987</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	313,508	0	234,447	547,955
Reserved for Property Taxes	376,604	46,353	0	422,957
Reserved for Textbook and Instructional Materials	70,232	0	0	70,232
Reserved for Underground Storage Tank	11,000	0	0	11,000
Unreserved, Undesignated, Reported in:				
General Fund	1,542,401	0	0	1,542,401
Special Revenue Funds	0	0	95,592	95,592
Debt Service Fund	0	800,362	0	800,362
Capital Projects Funds	0	0	275,817	275,817
<i>Total Fund Balances</i>	<u>2,313,745</u>	<u>846,715</u>	<u>605,856</u>	<u>3,766,316</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$10,414,365</u>	<u>\$1,629,479</u>	<u>\$1,219,459</u>	<u>\$13,263,303</u>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2008*

**Total Governmental Fund Balances** \$3,766,316

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

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 8,724,568

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

Grants	298,352	
Property Taxes	516,996	
Tuition and Fees	34,151	
<b>Total</b>		<b>849,499</b>

Unamortized issuance costs represent deferred charges which  
do not provide current financial resources and, therefore, are  
not reported in the funds. 59,418

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

General Obligation Serial Bonds	4,245,000	
General Obligation Capital Appreciation Bonds	119,111	
Bond Premium	190,425	
Bond Discount	(11,864)	
Capital Appreciation Bond Accretion	260,035	
Compensated Absences	658,871	
Energy Conservation Loan	250,533	
Accrued Interest Payable	13,581	
<b>Total</b>		<b><u>(5,725,692)</u></b>

*Net Assets of Governmental Activities* \$7,674,109

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$6,429,392	\$798,909	\$0	\$7,228,301
Intergovernmental	4,722,328	83,023	1,269,860	6,075,211
Interest	155,563	32,734	5,094	193,391
Tuition and Fees	987,140	0	0	987,140
Extracurricular Activities	0	0	248,197	248,197
Rent	0	0	1,200	1,200
Gifts and Donations	3,590	0	58,665	62,255
Charges for Services	122,354	0	176,372	298,726
Miscellaneous	59,411	0	104,953	164,364
<i>Total Revenues</i>	<u>12,479,778</u>	<u>914,666</u>	<u>1,864,341</u>	<u>15,258,785</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,256,258	0	147,900	6,404,158
Special	905,068	0	437,828	1,342,896
Vocational	7,718	0	0	7,718
Support Services:				
Pupil	592,822	0	41,897	634,719
Instructional Staff	358,681	0	180,548	539,229
Board of Education	24,831	0	0	24,831
Administration	918,761	0	82,173	1,000,934
Fiscal	445,344	18,842	0	464,186
Operation and Maintenance of Plant	1,134,214	0	0	1,134,214
Pupil Transportation	813,776	0	9,689	823,465
Central	235,866	0	14,671	250,537
Operation of Non-Instructional Services	0	0	230,918	230,918
Food Service Operations	0	0	424,730	424,730
Extracurricular Activities	246,479	0	376,401	622,880
Capital Outlay	0	0	416,082	416,082
Debt Service:				
Principal Retirement	18,368	705,000	0	723,368
Interest and Fiscal Charges	10,965	182,698	0	193,663
<i>Total Expenditures</i>	<u>11,969,151</u>	<u>906,540</u>	<u>2,362,837</u>	<u>15,238,528</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>510,627</u>	<u>8,126</u>	<u>(498,496)</u>	<u>20,257</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	410,000	410,000
Sale of Assets	0	0	325,950	325,950
Transfers Out	(410,000)	0	0	(410,000)
Total Other Financing Sources (Uses)	<u>(410,000)</u>	<u>0</u>	<u>735,950</u>	<u>325,950</u>
<i>Net Change in Fund Balances</i>	100,627	8,126	237,454	346,207
<i>Fund Balances Beginning of Year</i>	<u>2,213,118</u>	<u>838,589</u>	<u>368,402</u>	<u>3,420,109</u>
<i>Fund Balances End of Year</i>	<u>\$2,313,745</u>	<u>\$846,715</u>	<u>\$605,856</u>	<u>\$3,766,316</u>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

**Net Change in Fund Balances - Total Governmental Funds**

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

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

Capital Assets Additions	524,119
Depreciation	(434,852)
Total	89,267

Capital Assets removed from the capital asset account on the statement of net assets results in a gain on disposal of capital assets on the statement of activities

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

Grants	132,781
Tuition and Fees	(87,849)
Property Taxes	68,619
Total	113,551

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

General Obligation Bonds	705,000
Energy Conservation Loan	18,368
Total	723,368

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

Accrued Interest	1,991
Accretion on Capital Appreciation Bonds	(64,612)
Total	(62,621)

Issuance costs are reported as an expenditure when paid in the governmental funds, but are amortized on the statement of activities.

Bond premiums are reported as other financing sources in the government funds, but are allocated as an expense over the life of the bonds on the statement of activities.

Bond Discounts are reported as other financing uses in government funds, but are allocated as an expense over the life of the bonds.

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(41,366)
Total	(41,366)

*Changes in Net Assets of Governmental Activities*

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$6,168,105	\$6,100,000	\$6,522,045	\$422,045
Intergovernmental	4,301,542	4,406,000	4,722,328	316,328
Interest	141,684	99,333	155,563	56,230
Tuition and Fees	899,180	897,380	987,140	89,760
Contributions and Donations	3,270	620	3,590	2,970
Customer Sales and Service	96,388	105,717	122,354	16,637
Miscellaneous	46,131	48,350	59,411	11,061
<i>Total Revenues</i>	<u>11,656,300</u>	<u>11,657,400</u>	<u>12,572,431</u>	<u>915,031</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,425,502	6,345,243	6,299,628	45,615
Special	1,003,720	977,319	900,925	76,394
Vocational	6,060	8,561	7,718	843
Support Services:				
Pupil	593,397	593,397	584,784	8,613
Instructional Staff	367,054	367,054	349,776	17,278
Board of Education	34,531	34,531	24,724	9,807
Administration	962,116	964,745	925,221	39,524
Fiscal	474,460	479,210	469,549	9,661
Business	1,500	1,500	0	1,500
Operation and Maintenance of Plant	1,316,865	1,282,267	1,238,971	43,296
Pupil Transportation	869,098	936,500	913,267	23,233
Central	252,905	259,159	235,033	24,126
Extracurricular Activities	258,673	259,685	241,603	18,082
Debt Service:				
Principal Retirement	18,400	18,400	18,368	32
Interest and Fiscal Charges	11,100	11,100	10,965	135
<i>Total Expenditures</i>	<u>12,595,381</u>	<u>12,538,671</u>	<u>12,220,532</u>	<u>318,139</u>
Excess of Revenues Over (Under) Expenditures	<u>(939,081)</u>	<u>(881,271)</u>	<u>351,899</u>	<u>1,233,170</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	0	19,636	19,636
Transfers Out	(400,000)	(410,000)	(410,000)	0
Advances Out	0	(86,838)	(86,838)	0
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(496,838)</u>	<u>(477,202)</u>	<u>19,636</u>
<i>Net Change in Fund Balance</i>	<u>(1,339,081)</u>	<u>(1,378,109)</u>	<u>(125,303)</u>	<u>1,252,806</u>
<i>Fund Balance Beginning of Year</i>	2,786,599	2,786,599	2,786,599	0
Prior Year Encumbrances Appropriated	296,007	296,007	296,007	0
<i>Fund Balance End of Year</i>	<u>\$1,743,525</u>	<u>\$1,704,497</u>	<u>\$2,957,303</u>	<u>\$1,252,806</u>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2008*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,209	\$34,146
<i>Total Assets</i>	10,209	\$34,146
<b>Liabilities</b>		
Undistributed Monies	0	\$7,200
Due to Students	0	26,946
<i>Total Liabilities</i>	0	\$34,146
<b>Net Assets</b>		
Held in Trust for Scholarships	10,209	
<i>Total Net Assets</i>	\$10,209	

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2008*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	\$426
<b>Deductions</b>	
Scholarships Awarded	1,000
<i>Change in Net Assets</i>	(574)
<i>Net Assets Beginning of Year</i>	10,783
<i>Net Assets End of Year</i>	\$10,209

See accompanying notes to the basic financial statements

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## **St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The St. Clairsville-Richland City School District (the School District) is a body politic and corporate established for the purpose of exercising rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by state and federal agencies. The Board controls the School District's six instructional/support facilities staffed by 58 noncertificated, 111 certificated teaching personnel, and 6 certificated administrators who provide services to 1,645 students and other community members.

On February 23, 2004, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the 5 year forecast. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education designed to avoid a potential deficit in fiscal years 2004 and 2005. The proposal was submitted by the School District on April 23, 2004 and accepted by the Ohio Department of Education on May 12, 2004. The School District currently remains in a state of "Fiscal Caution", at the request of the School District. See Note 21 for further details.

#### **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 School District, this includes general operations, food service and student related activities of the School District.

**Nonpublic Schools** Within the School District boundaries, St. Mary's School is operated through the Catholic Diocese, New Covenant Academy is operated through the Friends Church, and Fox Run High School is a privately run non-public high school for troubled children. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the School District on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECOSERRC), the Educational Regional Service System Region 12 (ERSS), the Coalition of Rural and Appalachian Schools (CORAS), and the Belmont-Harrison Career Center, which are jointly governed organizations, the Ohio School Plan, which is defined as an insurance purchasing pool, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan which is defined as claims servicing pool. The School District is associated with the St. Clairsville Public Library which is defined as a related organization. These organizations are presented in Notes 15, 16, and 17 to the basic financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

## St. Clairsville-Richland City School District

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### **B. Fund Accounting**

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

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

***General Fund*** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

### **C. Measurement Focus**

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

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**D. Basis of Accounting**

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

## **St. Clairsville-Richland City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

#### **E. Cash and Cash Equivalents**

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

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

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR-Ohio).

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statues, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$155,563, which includes \$44,613 assigned from other School District funds.

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

#### **F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by State Statute to be set-aside by the School District for the purchase of textbooks and other instructional materials and for restricted cash related to the underground storage tank. See Note 19 for additional information regarding set-asides. Restricted assets in the other governmental funds are for amounts withheld on construction contracts until the successful completion of the contract.

#### **G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**H. Inventory**

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

**I. Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	15-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-10 years

**J. Interfund Balances**

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

**K. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

**L. Accrued Liabilities and Long-term Obligations**

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

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

**M. Bond Premiums, Discounts, and Issuance Costs**

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

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

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

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

**N. Interfund Activity**

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

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

## **St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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### **O. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbook and instructional materials, and cash held as required for underground storage tank deductibles.

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

### **P. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation enacted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources from local sources restricted to expenditures for student programs and underground storage tank deductibles. Of the total restricted net assets, none has resulted from enabling legislation.

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

### **Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### **R. Estimates**

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

### **S. Budgetary Data**

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

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and the SERS post-employment healthcare plans in the amount of \$3,316, and \$32,726, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

	Net Change in Fund Balance
	<u>General</u>
GAAP Basis	\$100,627
Revenue Accruals	92,653
Advances In	19,636
Expenditure Accruals	105,103
Advances Out	(86,838)
Encumbrances	<u>(356,484)</u>
Budget Basis	<u><u>(\$125,303)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2008, the School District's General Fund had a balance of \$148,245 with OME-RESA, a claims servicing pool (see Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

## **St. Clairsville-Richland City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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#### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,139,732 of the School District's bank balance of \$3,339,732 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

#### Investments

As of June 30, 2008, the School District had an investment in STAROhio. The fair value of the STAROhio investment was \$1,482,076, and the investment has an average maturity of 53.8 days.

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

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

#### **NOTE 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 fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20.

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

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$376,604 in the General Fund and \$46,353 in the Debt Service Fund. The amount available as an advance at June 30, 2007, was \$469,257 in the General Fund and \$63,526 in the Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second - Half Collections		2008 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$318,468,980	92.61%	\$325,621,000	95.21%
Public Utility Personal	11,041,010	3.21%	9,495,400	2.78%
General Business Property	14,379,850	4.18%	6,866,635	2.01%
<b>Total</b>	<b>\$343,889,840</b>	<b>100.00%</b>	<b>\$341,983,035</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$35.19		\$35.19	

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$516,996 may not be collected within one year. All other receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities:</b>	
Excess Cost Reimbursement	\$34,151
IDEA - Part B	221,846
Title V	1,026
Title II-A	12,314
Title I	214,000
Title II-D	1,962
Safe and Drug Free Community Grant	911
Total	<u><u>\$486,210</u></u>

**NOTE 8 - INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

Interfund balances at June 30, 2008, consist of the following interfund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Nonmajor Governmental Funds	<u><u>\$86,838</u></u>

The loans made to the Title I, Miscellaneous State, and Miscellaneous Federal Grants Special Revenue Funds were made to support the programs until federal and state grant monies are received.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

**B. Transfers**

	<u>Transfers To</u>
	Other
	Nonmajor
<u>Transfers From</u>	<u>Governmental Funds</u>
General Fund	<u><u>\$410,000</u></u>

During fiscal year 2008, the General Fund transferred \$400,000 to the Permanent Improvement Fund to purchase land from the City of St. Clairsville, and \$10,000 to the Miscellaneous Local Special Revenue Fund to pay for the retirement incentive of an employee who retired in a prior fiscal year, and was eligible under the St. Clairsville Education Association negotiated agreement.

**NOTE 9 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Government Activities:</u>				
Non Depreciable Assets:				
Land	444,105	406,250	(\$149,500)	700,855
Total Non Depreciable Assets	<u>444,105</u>	<u>406,250</u>	<u>(149,500)</u>	<u>700,855</u>
Depreciable Assets:				
Buildings and Improvements	12,041,672	0	0	12,041,672
Furniture, Fixtures, and Equipment	1,399,236	48,608	0	1,447,844
Vehicles	896,640	69,261	0	965,901
Total Depreciable Capital Assets	<u>14,337,548</u>	<u>117,869</u>	<u>0</u>	<u>14,455,417</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(4,740,938)	(266,378)	0	(5,007,316)
Furniture, Fixtures, and Equipment	(691,967)	(84,901)	0	(776,868)
Vehicles	(563,947)	(83,573)	0	(647,520)
Total	<u>(5,996,852)</u>	<u>(434,852)</u>	<u>0</u>	<u>(6,431,704)</u>
Depreciable Capital Assets, Net	<u>8,340,696</u>	<u>(316,983)</u>	<u>0</u>	<u>8,023,713</u>
Governmental Activities Capital Assets, Net	<u><u>\$8,784,801</u></u>	<u><u>\$89,267</u></u>	<u><u>(\$149,500)</u></u>	<u><u>\$8,724,568</u></u>

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$176,255
Special	34,154
Vocational	17,314
Support Services:	
Pupils	8,616
Instructional Staff	21,810
Board of Education	2,664
Administration	24,381
Fiscal	5,786
Maintenance	31,223
Transportation	86,901
Central	1,601
Food Service Operations	19,384
Extracurricular	4,763
Total	<u><u>\$434,852</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008 the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). The School District contracted with the Ohio School Plan for property and inland marine coverage, general liability, and for fleet insurance. Coverage provided by OSP follows:

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Building and Contents-replacement cost (\$1,000 deductible)	\$45,502,914
<i>Automotive Liability:</i>	
Bodily Injury and Property Damage	2,000,000
Uninsured Motorist (\$1,000 deductible)	1,000,000
Medical Payments Limit (each accident)	5,000
<i>Physical Damage Comprehensive:</i>	
Buses	1,000
All Other	250
<i>Physical Damage Collision:</i>	
Buses	1,000
All Other	500
<i>Educational General Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	3,000,000
Medical Payments Limit	10,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	3,000,000

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

The School District pays the State a rate per \$100 of salaries for workers' compensation. The School District contracts with Comp Services to provide administrative assistance for workers compensation.

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. All employees are offered dental coverage through the self-insured program.

The School District reports the program in the General Fund. The claims liability of \$12,403 reported in the General Fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2007	\$3,500	\$225,813	\$213,587	\$15,726
2008	15,726	163,760	167,083	12,403

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Other Insurance**

In addition to the dental self-insured coverage offered, the School District offers all employees medical/surgical and prescription drug insurance coverage through Anthem, a Preferred Provider Organization. The Anthem monthly rate is \$1,066.49 for a family plan and \$426.60 for a single plan. The Board of Education pays approximately 94 percent of the premiums. The School District also provides life insurance and accidental death and dismemberment insurance to all employees from Met Life Insurance Company in an amount of \$20,000 per employee. The Board pays 100 percent of the premiums for this coverage.

**C. Retirement Incentive**

The School District offers a retirement incentive, in the amount of \$10,000, to any teacher, otherwise eligible for retirement through STRS, who by June 30 had up to, but not in excess of 30 years of service, and who, by April 15, submits a letter of retirement to the Board, through the Treasurer, to be effective June 30. At June 30, 2008 there was no liability for this benefit as the prior year liability of \$40,000 was paid and no one qualified for this incentive during fiscal year 2008.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

## **St. Clairsville-Richland City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$127,805, \$184,919, and \$116,161 respectively; 47.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

### **B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$732,204, \$679,738, and \$708,941 respectively; 84.02 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$28,899 made by the School District and \$36,146 made by the plan members.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$58,321, \$57,664, and \$35,617 respectively; 47.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$9,209, \$11,811, and \$8,123 respectively; 47.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$56,860, \$59,565, and \$57,002 respectively; 84.02 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 14 - LONG TERM OBLIGATIONS**

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

	Outstanding			Amounts	
	6/30/07	Additions	Reductions	Outstanding 6/30/08	Due Within One Year
<b><u>Governmental Activities:</u></b>					
2002 School Improvement and Construction					
General Obligation Bonds - \$7,944,111					
Serial Bonds - \$7,825,000 @ 1.95%-4.15%	\$4,950,000	\$0	\$705,000	\$4,245,000	\$745,000
Premium - \$483,132	234,346	0	43,921	190,425	0
Discount - \$30,124	(14,603)	2,739	0	(11,864)	0
Capital Appreciation Bond - \$119,111 @ 4.77%	119,111	0	0	119,111	0
Accretion of Interest - \$920,889 @ 19.6%	195,423	64,612	0	260,035	0
<b>Total General Obligation Bonds</b>	<b>5,484,277</b>	<b>67,351</b>	<b>748,921</b>	<b>4,802,707</b>	<b>745,000</b>
2005 Energy Conservation					
Loan - \$325,000 @ 4.05-6.00%	268,901	0	18,368	250,533	18,953
Compensated Absences Payable	617,505	108,190	66,824	658,871	78,896
<b>Total Governmental Activities</b>	<b>\$6,370,683</b>	<b>\$175,541</b>	<b>\$834,113</b>	<b>\$5,712,111</b>	<b>\$842,849</b>

*2002 School Improvement and Construction General Obligation Bonds* - On April 15, 2002 the School District issued \$7,944,111 in general obligation school facilities construction and improvement bonds to retire bond anticipation notes that had been issued for construction and improvement of School District facilities. The School District received \$8,407,772 in proceeds, which included a \$483,132 premium on the capital appreciation bonds and \$10,653 in accrued interest. Costs associated with the bond issue amounted to \$150,812 and the serial bonds were issued at a \$30,124 discount. The bond premium, the discount, and the bond issuance costs will be amortized over the life of the issue. The fiscal year 2008 amortization of the premium, discount, and issuance costs were \$43,921, \$2,739, and \$13,710, respectively. The bond issue consists of serial bonds and a capital appreciation bond. The bonds were issued for an eleven year period with a final maturity at December 1, 2012 and the bonds have varying interest rates ranging from 1.95 percent to 4.15 percent. The general obligation bonds will be retired with the proceeds of a 2.94 mill levy approved in May 2001.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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The principal and interest payments will be recorded in the Debt Service Fund. The bonds are not subject to redemption prior to stated maturity.

The capital appreciation bonds were sold at a discount of \$920,889, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is December 1, 2013. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$1,040,000. The accretion recorded for fiscal year 2008 is \$64,612 for a total bond liability of \$379,146. The accretion will continue to be recorded on a straight-line basis over the life of the bonds.

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Accretion/</u> <u>Interest</u>	<u>Total</u>
2009	\$745,000	\$156,307	\$901,307
2010	785,000	126,637	911,637
2011	855,000	93,837	948,837
2012	905,000	58,186	963,186
2013	955,000	19,817	974,817
2014	119,111	920,889	1,040,000
	<u>\$4,364,111</u>	<u>\$1,375,673</u>	<u>\$5,739,784</u>

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

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$18,953	\$10,379	\$29,332
2010	18,588	12,626	31,214
2011	19,577	11,637	31,214
2012	20,619	10,595	31,214
2013	21,716	9,498	31,214
2014-2018	126,824	31,590	158,414
2019	24,256	1,800	26,056
	<u>\$250,533</u>	<u>\$88,125</u>	<u>\$338,658</u>

The overall debt margin of the School District as of June 30, 2008 was \$26,590,206 with an unvoted debt margin of \$334,087.

Compensated absences will be paid from the General Fund.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Educational Service Agency* - The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. OME-RESA participants consist of school districts and county educational service centers. OME-RESA provides financial accounting services, educational management information, and cooperative purchase services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a governing board which is selected by the member districts.

Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the governing board. OME-RESA has no outstanding debt. During fiscal year 2008, the total amount paid to OME-RESA from the School District was \$89,538 for cooperative gas purchasing services and \$12,720 for financial accounting services, educational management information, and internet access. 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, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*East Central Ohio Special Education Regional Resource Center* - The East Central Ohio Special Education Regional Resource Center (ECOSERRC) is a not-for-profit council of governments of various school districts and other organizations in east central Ohio that operates under the direction of an Advisory Board that consists of one or more superintendents from each of the 10 participating counties. This Board establishes policy, approves the budget and recommends employment through its fiscal agent, Tuscarawas, Carroll, Harrison Educational Service Center. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC. As of July 1, 2008 the ECOSERRC ceased operations.

*Educational Regional Service System Region 12* - The School District participates in the Educational Regional Service System Region 12 (ERSS), a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

## **St. Clairsville-Richland City School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

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

### **NOTE 16 – PUBLIC ENTITY POOLS**

#### **A. Insurance Purchasing Pool**

*Ohio School Plan* – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hayre Insurance Agency and a partner of the Hylant Group, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

#### **B. Claims Servicing Pool**

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

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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**NOTE 17 – RELATED ORGANIZATION**

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

**NOTE 18 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**B. Litigation**

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

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

Effective June 30, 2005, through Amended Substitute House Bill 66, school districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the districts apply and receive approval from the Ohio Department of Education. The St. Clairsville-Richland City School District remained in Fiscal Caution during fiscal year 2008, but did not request a waiver of the set-aside requirement for fiscal year 2008.

**St. Clairsville-Richland City School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

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

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2007	\$145,577	\$0
Current Year Set-aside Requirement	247,738	247,738
Qualifying Disbursements	<u>(323,083)</u>	<u>(253,024)</u>
Totals	<u>\$70,232</u>	<u>(\$5,286)</u>
Allowable Carry Forward for Fiscal Year 2008	N/A	0
Allowable Carry Forward at June 30, 2008	<u>N/A</u>	<u>(7,754,874)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$70,232</u>	<u>(\$7,754,874)</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$70,232</u>	<u>\$0</u>

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

**NOTE 20 – SUBSEQUENT EVENTS**

The non classified union labor agreement expired on July 31, 2008, and on August 1, 2008 the Board approved a new labor agreement through July 31, 2011.

**NOTE 21 – FINANCIAL POSITION**

Based on the most recent Board-adopted five year forecast, the School District is not projecting a deficit cash balance or deficit unreserved fund balance until the fourth and fifth year of the projection. The Board has not currently adopted a plan to address the projected deficit. The School District continues to be in a state of “Fiscal Caution” at their request.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR Pass-Through Grantor Program Title</b>	<b>Pass-through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Noncash Receipts</b>	<b>Expenditures</b>	<b>Noncash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed-Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	045997-05PU-07	10.553	\$7,356		\$7,356	
	045997-05PU-08		63,717		63,717	
Total School Breakfast Program			71,073	\$0	71,073	\$0
National School Lunch Program	045997-LLP4-07	10.555	15,054		15,054	
Food Donation	045997-LLP4-08		140,982		140,982	
Total National School Lunch Program	N/A		156,036	18,998	156,036	18,998
Total Nutrition Cluster			227,109	18,998	227,109	18,998
Total U.S. Department of Agriculture			227,109	18,998	227,109	18,998
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed-Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045997-C1S1-07	84.010	30,000		25,643	
	045997-C1S1-08		151,348		161,212	
	045997-C1SD-07		17,939		22,542	
	045997-C1SD-08		87,967		99,504	
Total Title I Grants to Local Educational Agencies			287,254	0	308,901	0
Special Education - Grants to States	045997-6BSF-07	84.027	55,000		56,425	
	045997-6BSF-08		277,030		304,629	
Total Special Education - Grants to States			332,030	0	361,054	0
Safe and Drug-Free Schools and Communities - State Grants	045997-DRS1-07	84.186	572		737	
	045997-DRS1-08		5,346		5,692	
Total Safe and Drug-Free Schools and Communities - State Grants			5,918	0	6,429	0
Innovative Education Program Strategies	045997-C2S1-08	84.298	4,017		4,952	
Education Technology State Grants	045997-TJS1-08	84.318	1,898		4,022	
Improving Teacher Quality State Grants	045997-TRS1-07	84.367	13,310		11,307	
	045997-TRS1-08		74,909		75,330	
Total Improving Teacher Quality State Grants			88,219	0	86,637	0
Total U.S. Department of Education			719,336	0	771,995	0
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	2,788			
Total U.S. Department of Job and Family Services			2,788	0	0	0
<b>Total</b>			<b>\$949,233</b>	<b>\$18,998</b>	<b>\$999,104</b>	<b>\$18,998</b>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS**

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

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers- In</u>	<u>Transfers-Out</u>
84.010	045997-C1S1-07		\$15,756
84.010	045997-C1S1-08	\$15,756	
84.010	045997-C1SD-07		\$488
84.010	045997-C1SD-08	\$488	
84.027	045997-6BSF-07		\$34,245
84.027	045997-6BSF-08	\$34,245	
84.186	045997-DRS1-07		\$564
84.186	045997-DRS1-08	\$564	
84.298	045997-C2S1-07		\$2,106
84.298	045997-C2S1-08	\$2,106	
84.318	045997-TJS1-07		\$1,092
84.318	045997-TJS1-08	\$1,092	
84.367	045997-TRS1-07		\$3,029
84.367	045997-TRS1-08	\$3,029	



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 19, 2008, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on February 23, 2004 due to a declining financial condition. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated December 19, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

December 19, 2008



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

#### Internal Control Over Compliance

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

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

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

December 19, 2008

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**ST. CLAIREVILLE-RICHLAND CITY SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 20, 2009**