



Dave Yost • Auditor of State

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

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Dave Yost • 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, 2010, 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, 2010, 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 based on the 5 year forecast. Note 22 to the financial statements describes management's plans to address the projected deficits.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the 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. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 18, 2011

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of the St. Clairsville-Richland City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- Net assets increased \$209,291.
- General revenues accounted for \$12,255,180 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,674,980 or 23 percent of total revenues in the amount of \$15,930,160.
- Total assets decreased \$544,431, primarily due to a decrease in cash and cash equivalents and intergovernmental receivables, which were offset by an increase in capital assets related to the Stadium Improvement Project. Long-term liabilities decreased due to debt service payments on long-term debt. Other liabilities decreased due primarily to a decrease in contracts payable.
- The School District had \$15,720,869 in expenses related to governmental activities; only \$3,674,980 of these expenses were offset by program specific charges for services, grants and contributions. General revenues in the amount of \$12,255,180 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 \$12,276,479 in revenues and \$12,959,752 in expenditures. Including other financing sources (uses), the General Fund's balance decreased \$626,549. The Debt Service Fund had revenues in the amount of \$831,105 and expenditures in the amount of \$928,731 which resulted in a fund balance decrease in the amount of \$97,626.

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, 2010
Unaudited

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 2010?" 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 statements 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, 2010
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 2010 compared to 2009.

Table 1
Net Assets
Governmental Activities

	2010	2009	Change
Assets			
Current and Other Assets	\$11,837,586	\$13,067,779	(\$1,230,193)
Capital Assets	9,252,446	8,566,684	685,762
Total Assets	21,090,032	21,634,463	(544,431)
Liabilities			
Long-Term Liabilities	4,312,782	4,991,320	(678,538)
Other Liabilities	8,457,422	8,532,606	(75,184)
Total Liabilities	12,770,204	13,523,926	(753,722)
Net Assets			
Invested in Capital Assets, Net of Debt	6,196,008	4,771,035	1,424,973
Restricted	970,177	1,410,686	(440,509)
Unrestricted	1,153,643	1,928,816	(775,173)
Total Net Assets	\$8,319,828	\$8,110,537	\$209,291

Total assets decreased \$544,431, primarily due to a decrease in cash and cash equivalents and intergovernmental receivables which were offset by an increase in capital assets. Long-term liabilities decreased due to debt service payments on long-term debt, and other liabilities decreased due primarily to decreases in contracts payable.

Overall, net assets of the School District's governmental activities increased by \$209,291. Although total net assets increased, invested in capital assets, net of debt increased primarily due to capital contributions from the St. Clairsville Stadium Improvement Committee for the Stadium Project. Restricted and unrestricted net assets decreased during fiscal year 2010. The School District currently has \$1,153,643 in unrestricted net assets as compared to \$1,928,816 in the prior fiscal year.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

Table 2
 Changes in Net Assets
 Governmental Activities

	2010	2009	Change
Revenues			
<i>Program Revenue</i>			
Charges for Services and Sales	\$1,570,596	\$1,626,249	(\$55,653)
Operating Grants and Contributions	1,323,711	1,552,254	(228,543)
Capital Grants and Contributions	780,673	23,191	757,482
Total Program Revenue	3,674,980	3,201,694	473,286
<i>General Revenue</i>			
Property Taxes	6,912,702	7,116,997	(204,295)
Grants and Entitlements	5,197,222	4,921,628	275,594
Gifts and Donations	86,492	6,143	80,349
Investment Earnings	12,838	59,908	(47,070)
Gain on Sale of Capital Assets	1,500	0	1,500
Miscellaneous	44,426	91,396	(46,970)
Total General Revenue	12,255,180	12,196,072	59,108
Total Revenues	15,930,160	15,397,766	532,394
Program Expenses			
Instruction:			
Regular	7,129,267	6,691,209	438,058
Special	1,639,945	1,594,068	45,877
Vocational	29,665	28,590	1,075
Support Services:			
Pupil	917,601	697,790	219,811
Instructional Staff	620,641	649,227	(28,586)
Board of Education	26,130	24,821	1,309
Administration	1,124,291	1,076,028	48,263
Fiscal	488,311	474,332	13,979
Operation and Maintenance of Plant	1,319,792	1,340,058	(20,266)
Pupil Transportation	692,680	715,008	(22,328)
Central	267,713	256,091	11,622
Operation of Non-Instructional Services	194,263	161,069	33,194
Food Service Operations	458,435	475,496	(17,061)
Extracurricular Activities	608,227	562,973	45,254
Interest and Fiscal Charges	203,908	214,578	(10,670)
Total Expenses	15,720,869	14,961,338	759,531
Change in Net Assets	209,291	436,428	(227,137)
Net Assets Beginning of Year	8,110,537	7,674,109	436,428
Net Assets End of Year	\$8,319,828	\$8,110,537	\$209,291

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Governmental Activities

Property taxes made up approximately 43 percent of revenues for the School District in fiscal year 2010. Program revenue operating grants decreased \$228,543 from the prior year due to decreases in state grants and Title I grant dollars. General revenue grants increased due to American Recovery and Reinvestment Act grant monies. Capital grants and contributions increased \$757,482 from the prior year due primarily to capital contributions from the St. Clairsville Stadium Improvement Committee for the Stadium Project.

Instruction comprises approximately 56 percent of governmental program expenses, and reflected a \$485,010 increase from fiscal year 2009. Overall, program expenses of the School District increased by \$759,531 with the largest increase being reflected in regular instruction and support services - pupil. These increases were offset by reductions in instructional staff, pupil transportation, and operation and maintenance of plant 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 2010 compared to fiscal year 2009. 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	
	2010	2009	2010	2009
Instruction:				
Regular	\$7,129,267	\$6,691,209	\$5,967,718	\$5,510,832
Special	1,639,945	1,594,068	1,191,342	947,493
Vocational	29,665	28,590	23,303	23,149
Support Services:				
Pupil	917,601	697,790	869,255	654,363
Instructional Staff	620,641	649,227	424,414	423,817
Board of Education	26,130	24,821	26,130	24,821
Administration	1,124,291	1,076,028	1,059,267	999,855
Fiscal	488,311	474,332	397,266	385,605
Operation and Maintenance of Plant	1,319,792	1,340,058	1,316,043	1,328,807
Pupil Transportation	692,680	715,008	685,456	703,068
Central	267,713	256,091	260,487	241,540
Operation of Non-Instructional Services	194,263	161,069	16,791	(6,502)
Food Service Operations	458,435	475,496	41,083	40,886
Extracurricular Activities	608,227	562,973	(436,574)	267,332
Interest and Fiscal Charges	203,908	214,578	203,908	214,578
Total Expenses	\$15,720,869	\$14,961,338	\$12,045,889	\$11,759,644

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 82 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenue support is approximately 77 percent.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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 \$15,316,268 in revenues and \$16,349,645 in expenditures. Overall, including other financing sources and (uses), total governmental funds' balance decreased \$976,070.

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 2010 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 different than budgeted amounts as less tax revenue was realized, and spending in most categories was lower than budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010 the School District had \$9,252,446 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 5 shows fiscal year 2010 balances compared to 2009:

Table 4
Capital Assets Net of Depreciation
Governmental Activities

	2010	2009
Land	\$700,855	\$700,855
Construction in Progress	780,673	0
Land Improvements	33,327	0
Buildings and Improvements	6,635,299	6,842,175
Furniture and Equipment	752,179	688,396
Vehicles	350,113	335,258
Totals	\$9,252,446	\$8,566,684

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

Debt

At June 30, 2010 the School District had \$3,573,786 outstanding in energy conservation loans and general obligation bonds, including premiums, discounts, accretions and energy conservation loans with \$874,577 due within one year. The School District also had \$48,502 outstanding in capital leases with \$9,539 due within one year.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 5 summarizes bonds, notes, and capital leases outstanding:

Table 5
 Outstanding Debt at Year End
 Governmental Activities

	2010	2009
2002 School Improvement and Construction		
General Obligation Bonds		
Serial Bonds	\$2,715,000	\$3,500,000
Capital Appreciation Bonds	119,111	119,111
Bond Premium	102,583	146,504
Bond Discount	(6,386)	(9,125)
Capital Appreciation Bond Accretion of Interest	431,269	337,698
2005 Energy Conservation Loan	212,209	231,371
Capital Leases	48,502	0
Total	\$3,622,288	\$4,325,559

See Note 15 for more detailed information on the School District's debt.

Economic Factors

As the preceding information shows, the School District depends heavily on local property taxpayers more than state funding. Future local tax revenues are decreasing due to the elimination of tangible personal property tax, and updates and reappraisals that are lower than previous years.

Based on the most recent Board of Education approved five year forecast, the School District will be challenged to maintain financial stability in future years. This forecast projects deficit spending beginning in fiscal year 2010, which will eliminate the carryover fund balance of the School District beginning in fiscal year 2013. 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, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,967,129
Intergovernmental Receivable	178,299
Prepaid Items	18,916
Materials and Supplies Inventory	51,401
Property Taxes Receivable	7,384,929
Cash and Cash Equivalents with Fiscal Agents	204,914
Deferred Charges	31,998
Non-Depreciable Capital Assets	1,481,528
Depreciable Capital Assets, Net	<u>7,770,918</u>
<i>Total Assets</i>	<u>21,090,032</u>
Liabilities	
Accounts Payable	37,517
Accrued Wages and Benefits Payable	1,386,794
Intergovernmental Payable	437,379
Matured Severance Payable	29,018
Accrued Interest Payable	8,439
Claims Payable	7,889
Retirement Incentive Payable	10,000
Retainage Payable	65,974
Deferred Revenue	6,474,412
Long-Term Liabilities:	
Due Within One Year	950,167
Due In More Than One Year	<u>3,362,615</u>
<i>Total Liabilities</i>	<u>12,770,204</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,196,008
Restricted for:	
Capital Projects	92,132
Debt Service	649,536
Set Asides	52,426
State Programs	37,690
Federal Programs	12,666
Other Purposes	125,727
Unrestricted	<u>1,153,643</u>
<i>Total Net Assets</i>	<u><u>\$8,319,828</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, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$7,129,267	\$1,121,239	\$40,310	\$0	(\$5,967,718)
Special	1,639,945	0	448,603	0	(1,191,342)
Vocational	29,665	0	6,362	0	(23,303)
Support Services:					
Pupil	917,601	0	48,346	0	(869,255)
Instructional Staff	620,641	0	196,227	0	(424,414)
Board of Education	26,130	0	0	0	(26,130)
Administration	1,124,291	15,284	49,740	0	(1,059,267)
Fiscal	488,311	0	91,045	0	(397,266)
Operation and Maintenance of Plant	1,319,792	3,749	0	0	(1,316,043)
Pupil Transportation	692,680	0	7,224	0	(685,456)
Central	267,713	0	7,226	0	(260,487)
Operation of Non-Instructional Services	194,263	0	177,472	0	(16,791)
Food Service Operations	458,435	166,196	251,156	0	(41,083)
Extracurricular Activities	608,227	264,128	0	780,673	436,574
Interest and Fiscal Charges	203,908	0	0	0	(203,908)
<i>Total Governmental Activities</i>	<u>\$15,720,869</u>	<u>\$1,570,596</u>	<u>\$1,323,711</u>	<u>\$780,673</u>	<u>(12,045,889)</u>
General Revenues					
					6,167,733
					744,969
					5,197,222
					86,492
					12,838
					1,500
					44,426
<i>Total General Revenues</i>					<u>12,255,180</u>
Change in Net Assets					209,291
<i>Net Assets Beginning of Year</i>					<u>8,110,537</u>
<i>Net Assets End of Year</i>					<u>\$8,319,828</u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,855,522	\$661,087	\$321,120	\$3,837,729
Cash and Cash Equivalents with Fiscal Agents	204,914	0	0	204,914
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	63,426	0	65,974	129,400
Receivables:				
Property Taxes	6,584,505	800,424	0	7,384,929
Intergovernmental	76,192	0	102,107	178,299
Interfund	16,032	0	0	16,032
Prepaid Items	16,148	0	2,768	18,916
Materials and Supplies Inventory	46,584	0	4,817	51,401
<i>Total Assets</i>	<u>\$9,863,323</u>	<u>\$1,461,511</u>	<u>\$496,786</u>	<u>\$11,821,620</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$25,031	\$0	\$12,486	\$37,517
Accrued Wages and Benefits	1,245,934	0	140,860	1,386,794
Claims Payable	7,889	0	0	7,889
Matured Severance Payable	29,018	0	0	29,018
Retirement Incentive Payable	10,000	0	0	10,000
Interfund Payable	0	0	16,032	16,032
Intergovernmental Payable	377,351	0	60,028	437,379
Retainage Payable	0	0	65,974	65,974
Deferred Revenue	6,272,961	752,422	21,913	7,047,296
<i>Total Liabilities</i>	<u>7,968,184</u>	<u>752,422</u>	<u>317,293</u>	<u>9,037,899</u>
Fund Balances				
Reserved for Encumbrances	306,489	0	57,132	363,621
Reserved for Property Taxes	387,736	48,002	0	435,738
Reserved for Textbook and Instructional Materials	52,426	0	0	52,426
Reserved for Underground Storage Tank	11,000	0	0	11,000
Unreserved, Undesignated, Reported in:				
General Fund	1,137,488	0	0	1,137,488
Special Revenue Funds	0	0	47,429	47,429
Debt Service Fund	0	661,087	0	661,087
Capital Projects Funds	0	0	74,932	74,932
<i>Total Fund Balances</i>	<u>1,895,139</u>	<u>709,089</u>	<u>179,493</u>	<u>2,783,721</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,863,323</u>	<u>\$1,461,511</u>	<u>\$496,786</u>	<u>\$11,821,620</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, 2010*

Total Governmental Fund Balances \$2,783,721

*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 not reported in the funds. 9,252,446

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

Grants	21,913	
Property Taxes	474,779	
Tuition and Fees	76,192	
Total		572,884

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and therefore are
not reported in the funds. 31,998

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	2,715,000	
Bond Premium	102,583	
Bond Discount	(6,386)	
General Obligation Capital Appreciation Bonds	119,111	
Capital Appreciation Bond Interest Accretion	431,269	
Energy Conservation Loan	212,209	
Compensated Absences	690,494	
Accrued Interest Payable	8,439	
Capital Leases	48,502	
Total		(4,321,221)

Net Assets of Governmental Activities \$8,319,828

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, 2010

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,111,928	\$739,100	\$0	\$6,851,028
Intergovernmental	4,973,987	91,045	1,682,048	6,747,080
Interest	11,658	960	220	12,838
Tuition and Fees	1,010,851	0	0	1,010,851
Extracurricular Activities	0	0	282,061	282,061
Rent	0	0	1,100	1,100
Gifts and Donations	33,373	0	53,119	86,492
Charges for Services	114,196	0	166,196	280,392
Miscellaneous	20,486	0	23,940	44,426
<i>Total Revenues</i>	<u>12,276,479</u>	<u>831,105</u>	<u>2,208,684</u>	<u>15,316,268</u>
Expenditures				
Current:				
Instruction:				
Regular	6,652,274	0	291,646	6,943,920
Special	945,937	0	661,897	1,607,834
Vocational	12,252	0	0	12,252
Support Services:				
Pupil	847,567	0	53,356	900,923
Instructional Staff	356,002	0	241,293	597,295
Board of Education	23,367	0	0	23,367
Administration	1,015,213	0	76,678	1,091,891
Fiscal	465,197	17,093	0	482,290
Operation and Maintenance of Plant	1,350,694	0	123,389	1,474,083
Pupil Transportation	696,355	0	7,973	704,328
Central	263,786	0	7,780	271,566
Operation of Non-Instructional Services	0	0	193,193	193,193
Food Service Operations	0	0	457,666	457,666
Extracurricular Activities	290,418	0	323,160	613,578
Capital Outlay	0	0	23,131	23,131
Debt Service:				
Principal Retirement	26,467	785,000	0	811,467
Interest and Fiscal Charges	14,223	126,638	0	140,861
<i>Total Expenditures</i>	<u>12,959,752</u>	<u>928,731</u>	<u>2,461,162</u>	<u>16,349,645</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(683,273)</u>	<u>(97,626)</u>	<u>(252,478)</u>	<u>(1,033,377)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	583	583
Sale of Capital Assets	1,500	0	0	1,500
Inception of Capital Lease	55,807	0	0	55,807
Transfers Out	(583)	0	0	(583)
<i>Total Other Financing Sources (Uses)</i>	<u>56,724</u>	<u>0</u>	<u>583</u>	<u>57,307</u>
<i>Net Change in Fund Balances</i>	<u>(626,549)</u>	<u>(97,626)</u>	<u>(251,895)</u>	<u>(976,070)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,521,688</u>	<u>806,715</u>	<u>431,388</u>	<u>3,759,791</u>
<i>Fund Balances End of Year</i>	<u>\$1,895,139</u>	<u>\$709,089</u>	<u>\$179,493</u>	<u>\$2,783,721</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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$976,070)

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

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

Capital Assets Additions	333,853	
Depreciation	(428,764)	
Total	(94,911)	(94,911)

Capital Contributions of assets that are not reported in the funds but are additions to capital assets on the entity-wide statements 780,673

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

Grants	(226,147)	
Tuition and Fees	(3,808)	
Property Taxes	61,674	
Total	(168,281)	(168,281)

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	785,000	
Energy Conservation Loan	19,162	
Capital Leases	7,305	
Total	811,467	811,467

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	3,052	
Accretion on Capital Appreciation Bonds	(93,571)	
Total	(90,519)	(90,519)

Issuance costs are reported as an expenditure when paid in the governmental funds, but are amortized on the statement of activities. (13,710)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as an expense over the life of the bonds on the statement of activities. 43,921

Bond discounts are reported as other financing uses in governmental funds, but are allocated as an expense over the life of the bonds. (2,739)

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the statement of activities. (55,807)

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		(24,733)
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Changes in Net Assets of Governmental Activities \$209,291

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$5,687,414	\$6,315,000	\$6,070,486	(\$244,514)
Intergovernmental	5,422,251	4,960,400	4,973,987	13,587
Interest	8,291	12,500	11,658	(842)
Tuition and Fees	1,101,951	924,500	1,010,851	86,351
Gifts and Donations	36,381	1,000	33,373	32,373
Charges for Services	129,353	140,000	114,196	(25,804)
Miscellaneous	19,359	26,600	20,486	(6,114)
<i>Total Revenues</i>	<u>12,405,000</u>	<u>12,380,000</u>	<u>12,235,037</u>	<u>(144,963)</u>
Expenditures				
Current:				
Instruction:				
Regular	10,980,583	6,652,983	6,613,874	39,109
Special	716,980	988,402	987,241	1,161
Vocational	0	12,749	12,252	497
Support Services:				
Pupil	544,211	819,195	814,608	4,587
Instructional Staff	86,125	362,273	358,395	3,878
Board of Education	8,961	32,600	23,550	9,050
Administration	482,307	1,080,914	1,074,646	6,268
Fiscal	285	474,053	469,138	4,915
Operation and Maintenance of Plant	279,706	1,608,230	1,554,639	53,591
Pupil Transportation	116,021	715,031	713,857	1,174
Central	45,300	287,761	273,513	14,248
Extracurricular Activities	119,521	283,056	283,063	(7)
Debt Service:				
Principal Retirement	0	19,162	19,162	0
Interest and Fiscal Charges	0	10,171	10,171	0
<i>Total Expenditures</i>	<u>13,380,000</u>	<u>13,346,580</u>	<u>13,208,109</u>	<u>138,471</u>
Excess of Revenues Under Expenditures	<u>(975,000)</u>	<u>(966,580)</u>	<u>(973,072)</u>	<u>(6,492)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	1,500	1,500
Advances In	0	25,000	61,174	36,174
Transfers Out	0	(494,404)	(583)	493,821
Advances Out	0	0	(16,032)	(16,032)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(469,404)</u>	<u>46,059</u>	<u>515,463</u>
<i>Net Change in Fund Balance</i>	(975,000)	(1,435,984)	(927,013)	508,971
<i>Fund Balance Beginning of Year</i>	3,243,410	3,243,410	3,243,410	0
Prior Year Encumbrances Appropriated	<u>460,988</u>	<u>460,988</u>	<u>460,988</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,729,398</u></u>	<u><u>\$2,268,414</u></u>	<u><u>\$2,777,385</u></u>	<u><u>\$508,971</u></u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$9,850	\$27,835
<i>Total Assets</i>	9,850	\$27,835
Liabilities		
Undistributed Monies	0	\$6,524
Due to Students	0	21,311
<i>Total Liabilities</i>	0	\$27,835
Net Assets		
Held in Trust for Scholarships	9,850	
<i>Total Net Assets</i>	\$9,850	

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, 2010

	<u>Private Purpose Trust Fund</u>
Additions	
Interest	\$11
Deductions	
Scholarships Awarded	<u>500</u>
<i>Change in Net Assets</i>	(489)
<i>Net Assets Beginning of Year</i>	<u>10,339</u>
<i>Net Assets End of Year</i>	<u><u>\$9,850</u></u>

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, 2010

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 a building which was located at 106 Woodrow Avenue where the current Middle School and High School complex remains. 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, stadium complex, an administration building, a transportation building, and several storage facilities.

The St. Clairsville-Richland City School District is a body politic and corporate established for the purpose of exercising rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by state and federal agencies. The Board controls the School District's five instructional/support facilities staffed by 50 non-certificated, 113 certificated teaching personnel, and 9 administrators who provide services to 1,702 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 22 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.

Non-public Schools Within the School District boundaries, St. Mary's School is operated through the Catholic Diocese, East Richland Christian Schools 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, 2010

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Educational Regional Service System Region 12 (ERSS), the Coalition of Rural and Appalachian Schools (CORAS), and the Belmont-Harrison Vocational School District, which are jointly governed organizations, the Ohio Association of School Business Officials Workers Compensation Group Rating Program (GRP) and the Ohio School Plan, which are defined as insurance purchasing pools, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan which is defined as a risk-sharing, claims servicing, and insurance purchasing 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 16, 17, and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

B. Fund Accounting

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

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

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

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

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

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

C. Measurement Focus

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

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

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

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

E. Cash and Cash Equivalents

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

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

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio).

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$11,658, which includes \$2,622 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 governments 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 20 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, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year service.

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

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

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

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

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.

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.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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. 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.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 – CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles - For 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, Statement No. 53, “ Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s financial statements.

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 Balance - Budget (Non-GAAP Basis) and Actual - 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:

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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).
5. Inception of capital lease is a non-cash transaction which is reported on the GAAP operating statement, and not on the budgetary basis statements.

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	(\$626,549)
Revenue Accruals	(41,442)
Advances In	61,174
Inception of Capital Lease	(55,807)
Expenditure Accruals	98,120
Advances Out	(16,032)
Encumbrances	<u>(346,477)</u>
Budget Basis	<u><u>(\$927,013)</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 (MMDA).

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.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, 2010, the School District's General Fund had a balance of \$204,914 with OME-RESA, a claims servicing pool (see Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School District's bank balance of \$2,036,543 was fully insured by the FDIC under the temporary transaction account guarantee (TAG) program.

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.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Investments

As of June 30, 2010, the School District had an investment in STAROhio. The fair value of the STAROhio investment was \$2,017,124, and the investment has an average maturity of 56.0 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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after October 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2010 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, 2010, was \$387,736 in the General Fund and \$48,002 in the Debt Service Fund. The amount available as an advance at June 30, 2009, was \$346,294 in the General Fund and \$43,224 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 2010 taxes were collected are:

	2009 Second - Half Collections		2010 First - Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$329,564,860	96.96%	\$330,219,740	96.94%
Public Utility Personal	10,347,100	3.04%	10,410,100	3.06%
Total	<u>\$339,911,960</u>	<u>100.00%</u>	<u>\$340,629,840</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$34.75		 \$34.75	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010, 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 \$474,779 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>
Governmental Activities:	
Excess Cost Reimbursement	\$76,192
Alternative Education Challenge Grant	11,233
IDEA - Part B	40,998
Title II-A	4,700
Title I	44,438
Safe and Drug Free Community Grant	738
Total	<u>\$178,299</u>

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 8 - INTERNAL BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2010, consist of the following interfund receivables and payables:

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Other Nonmajor Governmental Funds	<u><u>\$16,032</u></u>

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

B. Transfers

Interfund transfers for the year ended June 30, 2010 consisted of the following:

	<u>Transfer to</u>
<u>Transfer from</u>	<u>Other Governmental Funds</u>
General Fund	<u><u>\$583</u></u>

Monies were transferred from the General Fund to the Miscellaneous Local Fund to finance the local share of those programs.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<u>Government Activities:</u>				
Non Depreciable Assets:				
Land	\$700,855	\$0	\$0	\$700,855
Construction in Progress	0	780,673 *	0	780,673
Total Non Depreciable Assets	<u>700,855</u>	<u>780,673</u>	<u>0</u>	<u>1,481,528</u>
Depreciable Assets:				
Land Improvements	0	33,439	0	33,439
Buildings and Improvements	12,117,772	69,425	0	12,187,197
Furniture, Fixtures, and Equipment	1,551,788	155,654	0	1,707,442
Vehicles	986,152	75,335	(51,508)	1,009,979
Total Depreciable Capital Assets	<u>14,655,712</u>	<u>333,853</u>	<u>(51,508)</u>	<u>14,938,057</u>
Less Accumulated Depreciation:				
Land Improvements	0	(112)	0	(112)
Buildings and Improvements	(5,275,597)	(276,301)	0	(5,551,898)
Furniture, Fixtures, and Equipment	(863,392)	(91,871)	0	(955,263)
Vehicles	(650,894)	(60,480)	51,508	(659,866)
Total	<u>(6,789,883)</u>	<u>(428,764)</u>	<u>51,508</u>	<u>(7,167,139)</u>
Depreciable Capital Assets, Net	<u>7,865,829</u>	<u>(94,911)</u>	<u>0</u>	<u>7,770,918</u>
Governmental Activities Capital Assets, Net	<u><u>\$8,566,684</u></u>	<u><u>\$685,762</u></u>	<u><u>\$0</u></u>	<u><u>\$9,252,446</u></u>

* The Construction in Progress represents capital contributions from the St. Clairsville Stadium Improvement Committee for the Stadium Project that was in progress at June 30, 2010.

Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$177,905
Special	36,791
Vocational	17,413
Support Services:	
Pupil	8,289
Instructional Staff	22,604
Board of Education	2,763
Administration	23,765
Fiscal	5,526
Operation and Maintenance of Plant	41,329
Pupil Transportation	63,520
Central	1,625
Food Service Operations	19,582
Operation of Non-Instructional Services	1,070
Extracurricular Activities	6,582
Total	<u><u>\$428,764</u></u>

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 2010 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 17). 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:

Building and Contents-replacement cost (\$1,000 deductible)	\$46,913,603
Stadium Additional Property Coverage	1,300,000
<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 participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administration, cost control, and actuarial services to the GRP.

The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool through which dental coverage is provided to employees. Of the total monthly premiums of \$60.99, \$57.03 is paid by the Board, and \$3.96 is paid by the employees 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.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The School District reports the program in the General Fund. The claims liability of \$7,889 reported in the General Fund at June 30, 2010 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>
2009	\$12,403	\$77,688	\$71,723	\$18,368
2010	18,368	67,557	78,036	7,889

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 United Healthcare. United Healthcare monthly rate is \$1,359.13 for a family plan and \$543.65 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 monthly premiums of \$2.90 for this coverage.

C. Retirement Incentive

For fiscal year 2010, the School District offered a retirement incentive, in the amount of \$10,000, to any teacher, otherwise eligible for retirement through STRS, who by June 30, 2010 will have 30 years of service, and who, by April 15, 2010, submitted a letter of retirement to the Board, through the Treasurer, to be effective June 30, 2010. At June 30, 2010, there was a liability of \$10,000 for this benefit.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employee 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.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 2010, 12.74 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. 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, 2010, 2009 and 2008 were \$244,321, \$158,152 and \$127,805 respectively; 52.28 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. 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, 2010, 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 2009, the portion used to fund pension obligations was also 13 percent.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, 2010, 2009, and 2008 were \$839,866, \$774,555 and \$732,204 respectively; 83.07 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$28,365 made by the School District and \$30,480 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, three 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 Employee 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 Street, 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 2010, 0.5 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 2010, 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, 2010, 2009, and 2008 were \$9,589, \$72,377 and \$58,321 respectively; 52.28 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,575, \$13,049 and \$9,209 respectively; 52.28 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

Funding Policy – Ohio 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 2010, 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, 2010, 2009, and 2008 \$64,627, \$60,615 and \$56,860 respectively; 83.07 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2010, the School District has entered into capitalized leases for copying equipment.

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

Equipment acquired by lease has been capitalized in government-wide statements - governmental activities in the amount of \$55,807, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government-wide statements - governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$44,646. Principal payments in fiscal year 2010 totaled \$7,305, in the governmental funds.

Future minimum lease payments through fiscal year 2015 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$9,539	\$4,089
2012	10,460	3,168
2013	11,470	2,158
2014	12,577	1,051
2015	4,456	86
Totals	<u>\$48,502</u>	<u>\$10,552</u>

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 15 - LONG TERM OBLIGATIONS

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

	Outstanding			Outstanding	Amounts
	6/30/09	Additions	Reductions	6/30/10	Due Within
					One Year
<u>Governmental Activities:</u>					
2002 School Improvement and Construction					
General Obligation Bonds - \$7,944,111					
Serial Bonds - \$7,825,000 @ 1.95%-4.15%	\$3,500,000	\$0	\$785,000	\$2,715,000	\$855,000
Premium - \$483,132	146,504	0	43,921	102,583	0
Discount - \$30,124	(9,125)	2,739	0	(6,386)	0
Capital Appreciation Bond - \$119,111 @ 4.77%	119,111	0	0	119,111	0
Accretion of Interest - \$920,889 @ 19.6%	337,698	93,571	0	431,269	0
	<hr/>				
Total General Obligation Bonds	4,094,188	96,310	828,921	3,361,577	855,000
	<hr/>				
2005 Energy Conservation					
Loan - \$325,000 @ 4.05-6.00%	231,371	0	19,162	212,209	19,577
Capital Leases	0	55,807	7,305	48,502	9,539
Compensated Absences Payable	665,761	119,043	94,310	690,494	66,051
	<hr/>				
Total Governmental Activities	\$4,991,320	\$271,160	\$949,698	\$4,312,782	\$950,167
	<hr/>				

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 2010 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. 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 2010 is \$93,571 for a total bond liability of \$550,380. The accretion will continue to be recorded on a straight-line basis over the life of the bonds.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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>
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>\$2,834,111</u>	<u>\$1,092,729</u>	<u>\$3,926,840</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 through the first five years of the loan was 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. After the initial rate adjustment on August 24, 2009, the current interest rate is 3.43 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>
2011	\$19,577	\$11,637	\$31,214
2012	20,619	10,595	31,214
2013	21,716	9,498	31,214
2014	22,871	8,343	31,214
2015	23,763	8,037	31,800
2016-2019	103,663	17,010	120,673
	<u>\$212,209</u>	<u>\$65,120</u>	<u>\$277,329</u>

Bond Insurance – On March 24, 2009, Financial Guaranty Insurance Company (FGIC), the bond insurer for the 2002 bonds, was downgraded by Moody’s Investor Services from Caa1 to Caa3, and Moody’s withdrew the rating. This downgrade came after Moody’s had previously downgraded FGIC from B1 to Caa1 on December 19, 2008; from Baa3 to B1 on June 20, 2008; and from Aaa to A3 on February 14, 2008. As part of the 2002 bond issuance, the School District also, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

The downgrade of a bond insurer may not, in and by itself, create an immediate default under the bond indentures or other bond documents or cause any reallocation of rights or responsibilities among parties; however, it will likely have an adverse effect on the value of the bonds as they are traded in the secondary market.

The overall debt margin of the School District as of June 30, 2010 was \$28,482,154 with an unvoted debt margin of \$340,072.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Capital leases and compensated absences will be paid from the General Fund.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. OME-RESA participants consist of school districts and county educational service centers. OME-RESA provides financial accounting services, educational management information, and cooperative purchase services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the governing board. OME-RESA has no outstanding debt. During fiscal year 2010, the total amount paid to OME-RESA from the School District was \$74,868 for cooperative gas purchasing services and \$46,358 for 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. Effective July 1, 2010, the information technology portion of the OME-RESA consortium was dissolved. See Subsequent Event Note 21 for further details.

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 non-public 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 policy-making 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.

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-services 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 \$325 for fiscal year 2010.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Belmont-Harrison Joint Vocational School - The Belmont-Harrison Joint Vocational School (JVS), is a jointly governed organization providing vocational services to its member school districts. The JVS 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 JVS and reports to the Ohio Department of Education and the Auditor of State of Ohio.

NOTE 17 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP) - The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administration, cost control, and actuarial services to the GRP.

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. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

NOTE 18 – RELATED ORGANIZATION

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

NOTE 19 – 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 a condition 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, 2010.

B. Litigation

The School District is not currently party to any legal proceedings.

NOTE 20 - 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 School District remained in Fiscal Caution during fiscal year 2010, but did not request a waiver of the set-aside requirement for fiscal year 2010.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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, 2009	\$11,425	\$0
Current Year Set-aside Requirement	266,600	266,600
Qualifying Disbursements	(225,599)	(419,316)
Totals	<u>\$52,426</u>	<u>(\$152,716)</u>
Allowable Carry Forward at June 30, 2009	N/A	(7,754,874)
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$52,426</u>	<u>(\$7,754,874)</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$52,426</u>	<u>\$0</u>

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

NOTE 21 – SUBSEQUENT EVENTS

A. Council of Governments

Effective July 1, 2010, the information technology portion of the OME-RESA consortium has been dissolved. On July 1, 2010, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Council of Governments (OME-RESA Council) was established pursuant to Ohio Revised Code Section 167.01. The Board of Education of St. Clairsville-Richland City School District has passed a resolution approving membership in the OME-RESA Council and is currently receiving information technology services through the Council.

B. School Employees Retirement System

Effective July 1, 2010, the SERS has changed the Ohio Department of Education Foundation Program deductions for traditional public schools from a calendar year basis, six month in arrears, to a fiscal year basis, which will coincide with the participating School Districts' fiscal year. As a result, the Foundation deductions which would have been collected six months in arrears became due June 30, 2010. St. Clairsville-Richland City School District will have the balance due paid in equal installments over a six year period beginning July, 2010

C. Federal Grant

The School District has been approved for \$204,220 of Federal Education Jobs Fund Program Dollars as part of Public Law No. 111-226, signed by President Obama on August 10, 2010. This program provides assistance to save or create education jobs. The allocation will be available to fund fiscal year 2011.

St. Clairsville-Richland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

D. Stadium Project

During fiscal year 2010, a Stadium Improvement project was undertaken by the Stadium Improvement Committee. The total project cost is estimated at \$1,200,000. As of June 30, 2010, the project was partially complete, and as of the date of the Financial Statements is substantially complete.

NOTE 22 – FINANCIAL POSITION

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance and a deficit unreserved fund balance in fiscal years 2013 through 2015 of the projection. The Board has not currently adopted a plan to address the projected deficits. The School District continues to be in a state of “Fiscal Caution” at their request.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2009/2010	10.555	\$9,678	\$9,678
Cash Assistance:				
School Breakfast Program	2009/2010	10.553	72,005	72,005
National School Lunch Program	2009/2010	10.555	164,258	164,258
Cash Assistance Subtotal			<u>236,263</u>	<u>236,263</u>
Total Child Nutrition Cluster			<u>245,941</u>	<u>245,941</u>
Total U.S. Department of Agriculture			245,941	245,941
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2009 2010	84.010	52,260 <u>167,799</u>	58,952 <u>178,167</u>
Title I Grants to Local Educational Agencies Subtotal			220,059	237,119
Title I Program for Neglected and Delinquent Children	2009 2010	84.010	21,890 <u>87,767</u>	30,079 <u>75,858</u>
Title I Program for Neglected and Delinquent Children Subtotal			109,657	105,937
ARRA - Title I, Grants to Local Educational Agencies, Recovery Act	2010	84.389	<u>67,954</u>	<u>60,493</u>
Total Title I Cluster			397,670	403,549
Special Education Cluster:				
Special Education-Grants to States	2009 2010	84.027	45,108 <u>324,068</u>	49,065 <u>313,685</u>
Special Education-Grants to States Subtotal			369,176	362,750
ARRA - Special Education - Grants to States, Recovery Act	2010	84.391	<u>241,654</u>	<u>244,875</u>
Total Special Education Cluster			610,830	607,625
Safe and Drug Free Schools and Communities-State Grants	2009 2010	84.186	442 <u>4,014</u>	651 <u>3,831</u>
Total Safe and Drug Free Schools and Communities-State Grants			4,456	4,482
Education Technology State Grants	2009 2010	84.318	(1,135) <u>358</u>	<u>133</u>
Total Education Technology State Grants			(777)	133
Improving Teacher Quality State Grants	2009 2010	84.367	14,444 <u>57,783</u>	9,129 <u>53,316</u>
Total Improving Teacher Quality State Grants			72,227	62,445
ARRA - State Fiscal Stabilization Fund, Recovery Act	2010	84.394	<u>229,597</u>	<u>197,628</u>
Total U.S. Department of Education			1,314,003	1,275,862
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Medical Assistance Program		93.778	<u>90,624</u>	<u>90,624</u>
Total U.S. Department of Health and Human Services			<u>90,624</u>	<u>90,624</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,650,568</u>	<u>\$1,612,427</u>

The 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, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - REFUND TO OHIO DEPARTMENT OF EDUCATION (ODE)

On October 30, 2009, the School District refunded \$1,135 to ODE from the Education Technology State Grant (CFDA #84.318) awarded to the School District in 2003. This is due to the School District's ODE auditors finding funds remaining in the 2003 Technology Title II-D 599 Fund and recommended the funds be refunded back to ODE.



Dave Yost • 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, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 18, 2011, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on February 23, 2004 due to projected deficits in the 5 year forecast. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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 intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 18, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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www.auditor.state.oh.us

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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, Board of Education, others within the School District, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

February 18, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title 1 Cluster: Title 1 Grants to Local Educational Agencies – CFDA #84.010 ARRA – Title 1 Grants to Local Educational Agencies – CFDA #84.389 Special Education Cluster: Special Education – Grants to States – CFDA #84.027 ARRA – Special Education – Grants to States – CFDA #84.391
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 15, 2011