



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

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**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Steubenville City School District  
Jefferson County  
PO Box 189  
Steubenville, Ohio 43952

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 Steubenville City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Steubenville City School District, Jefferson County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable cash flows, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Accounting principles generally accepted in the United State 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 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 District's basic financial statements. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profits Organizations*, and is also not a required part of the basis financial statements. The federal awards schedule is management's responsibility and was derived from and relate directly to the underlying accounting and records used to prepare the basic financial statements. This schedule was subject to auditing procedure we applied to the basic financial statements. We also applied certain addition procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or 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.



**Mary Taylor, CPA**  
Auditor of State

December 10, 2010



**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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

### **Financial Highlights**

Key financial highlights for the fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$809,143.
- General revenues accounted for \$15,156,473 in revenue or 58 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$11,024,748 or 42 percent of total revenues of \$26,181,221.
- Total assets decreased \$154,590. Current assets increased by \$455,575 primarily due to increases in cash and investments as well as intergovernmental receivables. Capital assets decreased \$610,165 due primarily to depreciation expense on depreciable capital assets.
- The School District had \$25,372,078 in expenses related to governmental activities; only \$11,024,748 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$15,156,473 were adequate to provide for these programs.
- The School District has three major funds, the General Fund, Debt Service Fund, and Permanent Improvement Capital Projects Fund. The General Fund had \$18,509,218 in revenues and \$17,573,030 in expenditures. Including other financing sources (uses), the General Fund's balance increased \$476,292. The Debt Service Fund had \$1,209,349 in revenues and \$1,124,105 in expenditures. Including transfers in, the Debt Service Fund's balance increased \$249,918. The Permanent Improvement Fund had \$211,562 in revenues and \$1,003,100 in expenditures. Including transfers, the Permanent Improvement Fund's balance decreased \$491,448.

### **Using this Annual Financial Report**

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

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

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 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 that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be Governmental Activities which include instruction, support services, operation of non-instructional services, bond service operations, 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 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund, and permanent improvement capital projects fund.

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

**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.

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$22,696,400	\$22,240,825	\$455,575
Capital Assets	51,489,631	52,099,796	(610,165)
<b>Total Assets</b>	<b>74,186,031</b>	<b>74,340,621</b>	<b>(154,590)</b>
<b>Liabilities</b>			
Long-Term Liabilities	12,865,178	13,460,824	(595,646)
Other Liabilities	6,160,469	6,528,556	(368,087)
<b>Total Liabilities</b>	<b>19,025,647</b>	<b>19,989,380</b>	<b>(963,733)</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	42,562,092	42,872,508	(310,416)
Restricted	8,319,477	8,797,664	(478,187)
Unrestricted	4,278,815	2,681,069	1,597,746
<b>Total Net Assets</b>	<b>\$55,160,384</b>	<b>\$54,351,241</b>	<b>\$809,143</b>

Total assets decreased \$154,590. Current assets increased by \$455,575 primarily due to increases in cash and investments as well as intergovernmental receivables. Capital assets decreased \$610,165 due primarily to depreciation expense on depreciable capital assets.

Total liabilities decreased \$963,733 due primarily to annual debt service payments on long term debt.

**Stubenville 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 the fiscal year 2010 compared to fiscal year 2009.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$3,928,282	\$3,323,531	\$604,751
Operating Grants and Contributions	6,916,015	6,564,578	351,437
Capital Grants and Contributions	180,451	332,211	(151,760)
<b>Total Program Revenues</b>	<b>11,024,748</b>	<b>10,220,320</b>	<b>804,428</b>
General Revenues			
Property Taxes	4,565,294	4,186,480	378,814
Grants and Entitlements not Restricted to Specific Programs	10,267,951	12,398,603	(2,130,652)
Others	323,228	434,590	(111,362)
<b>Total General Revenues</b>	<b>15,156,473</b>	<b>17,019,673</b>	<b>(1,863,200)</b>
<b>Total Revenues</b>	<b>26,181,221</b>	<b>27,239,993</b>	<b>(1,058,772)</b>
<b>Program Expenses</b>			
Instruction			
Regular	9,800,818	8,836,664	964,154
Special	4,335,754	3,524,953	810,801
Vocational	1,010,280	861,217	149,063
Student Intervention Services	173,691	660,437	(486,746)
Support Services			
Pupil	1,057,873	909,750	148,123
Instructional Staff	766,315	769,831	(3,516)
Board of Education	46,747	37,889	8,858
Administration	2,142,957	2,174,916	(31,959)
Fiscal	390,321	410,186	(19,865)
Business	229,797	204,243	25,554
Operation and Maintenance of Plant	2,162,219	2,499,152	(336,933)
Pupil Transportation	578,767	552,392	26,375
Central	69,549	16,264	53,285
Operation of Non-Instructional Services	453,428	603,322	(149,894)
Food Service Operations	890,683	946,737	(56,054)
Extracurricular Activities	746,503	720,218	26,285
Interest and Fiscal Charges	516,376	577,237	(60,861)
<b>Total Expenses</b>	<b>25,372,078</b>	<b>24,305,408</b>	<b>1,066,670</b>
<b>Decrease in Net Assets</b>	<b>809,143</b>	<b>2,934,585</b>	<b>(2,125,442)</b>
Net Assets Beginning of Year	54,351,241	51,416,656	2,934,585
Net Assets End of Year	<u>\$55,160,384</u>	<u>\$54,351,241</u>	<u>\$809,143</u>

**Stuebenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

In 2010, 17 percent of the School District's revenues were from property taxes, and 39 percent were from unrestricted grants and entitlements.

Instructional programs comprise approximately 60 percent of total governmental program expenses and reflected a \$1,437,272 increase from fiscal year 2009. Overall, program expenses of the School District increased by \$1,066,670 with the largest increases being reflected in regular and special instructional services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2010 compared to fiscal year 2009. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Instruction				
Regular	\$9,800,818	\$8,836,664	\$5,671,332	\$4,624,838
Special	4,335,754	3,524,953	821,760	1,370,752
Vocational	1,010,280	861,217	793,838	697,307
Student Intervention Service	173,691	660,437	173,691	99,798
Support Services				
Pupil	1,057,873	909,750	753,181	615,245
Instructional Staff	766,315	769,831	267,223	294,719
Board of Education	46,747	37,889	46,747	37,889
Administration	2,142,957	2,174,916	1,941,342	2,019,138
Fiscal	390,321	410,186	161,160	176,907
Business	229,797	204,243	224,066	204,243
Operation and Maintenance of Plant	2,162,219	2,499,152	2,047,891	2,402,650
Pupil Transportation	578,767	552,392	577,588	539,950
Central	69,549	16,264	989	10,019
Operation of Non-Instructional Services	453,428	603,322	8,081	101,866
Food Service Operations	890,683	946,737	(84,969)	46,499
Extracurricular Activities	746,503	720,218	427,034	266,031
Interest and Fiscal Charges	516,376	577,237	516,376	577,237
<b>Total Expenses</b>	<u>\$25,372,078</u>	<u>\$24,305,408</u>	<u>\$14,347,330</u>	<u>\$14,085,088</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 57 percent of expenses are supported through taxes and other general revenues.

**The School District Funds**

Information about the School District funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. Total Governmental funds had \$26,359,066 in revenues and other financing sources and \$26,336,858 in expenditures and other financing uses. Total Governmental fund's balance increased \$22,208 primarily due to conservative spending.

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

***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 2010 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There no were significant changes between the original and final budget. The actual results of operations were significantly different than budgeted amounts as spending in most categories were lower than budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the School District had \$51,489,631 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2010, the School District had \$11,776,616 in bonds outstanding.

**Table 4**  
**Outstanding Debt at Year End**  
**Governmental Activities**

	<b>2010</b>	<b>2009</b>
1993 High School Addition and Improvement Serial Bonds	\$480,000	\$525,000
1998 Refunding Bonds- Term and Capital Appreciation Bonds	4,296,099	4,727,387
2000 School Facilities Serial, Term, and Capital Appreciation Bonds	2,370,277	2,487,960
2007 Qualified Zone Academy Bonds	700,000	700,000
2005 Qualified Zone Academy Bonds	3,930,240	3,930,240
<b>Total</b>	<b>\$11,776,616</b>	<b>\$12,370,587</b>

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

***Economic Factors***

In fiscal year 2009-2010, the Steubenville City School District completed the last phase of its transition plan for the educational remodeling and restructuring of its buildings and programs. As part of this plan, the elementary school buildings were consolidated from five schools to three schools. During various stages of this transition--which began in July of 2005 when the district accepted an Ohio School Facility plan--Lincoln Elementary School was sold, and McKinley Elementary School was closed as a school and remodeled to currently house the district administrative offices. In the summer of 2009, two of the three remaining vacated elementary schools, Buena Vista Elementary and Wells Elementary, were demolished. In June of 2010, the district received a pending offer for the sale of the remaining closed school, Roosevelt Elementary.

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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In August of 2009, after several months of strategic planning, a restructuring took place in the district elementary grade levels as well, changing them from a Kindergarten to Grade 5 building level system to a Pre-K to Grade 4 system. To further implement this restructuring, the fifth grade became incorporated into Harding Middle School. Added enrollment at the middle school during the 2009-2010 school year due to the additional grade level, compounded by projected enrollment increases at the middle school for the 2010-2011 school year, prompted the district to pursue building an extension onto the school in order to add additional classroom space. Work began on the project at the end of the school year in June of 2010, and it is projected to be completed by the start of the 2010-2011 school year.

During the 2009-2010 school year, a District Multi-Purpose Building was also constructed on a lot next to the high school. The dedication and open house for this building took place on November 20, 2009.

In February of 2010, structural deficiencies were identified in the older sections of the stadium located in the endzone with the concrete and steel structures, and the district took action to replace them as a safety measure. This project was begun in the spring of 2010.

Beginning in fiscal year 2010, the School District felt the impact of the American Recovery and Reinvestment Act (ARRA) which was signed into federal law on February 17, 2009. As a result of this law, the school district received approximately \$1.6 million in additional Title I and Special Education IDEA funding to be used during the two school years of 2010 and 2011. Additional funding through the state stabilization fund was also generated for the 2010 school year, and it will continue to be funded in fiscal year 2011 as well. These state funds were allocated to compensate for the state shortfalls in revenue that the Steubenville City Schools—as well as other schools across Ohio and throughout the country—are experiencing due to the declining economy. A one-time Cafeteria Grant was also received through stimulus funding in 2009-2010 school year which allowed the School District to purchase needed cafeteria equipment.

During the 2009-2010 school year, the School District became the recipient of approximately \$25,000.00 in beneficiary payments from a life insurance policy established by a Steubenville High School alumnus prior to his death in May of 2009. The funds received have been earmarked to scholarship funds established in the name of the deceased family.

Academic awards continued to abound for the School District staff and students during the 2009-2010 school year. The district achieved an excellent rating on the 2009 state report card, and Steubenville City Schools was also presented the 2009 Best Area High School Award in the Reader's Choice Poll in the local newspaper. Wells Academy and Harding Middle School were also applauded for being named 2009 Schools of Promise, a distinction placed on only 135 schools across the country. Wells Academy received additional recognition by being honored in Washington D.C. as one of only 2 schools in Ohio to be named a Title I National School of Promise.

Through the above-listed improvements to both educational facilities and academic achievement, the School District is fulfilling one of its main goals, which is to maximize resources to better benefit the School District's educational program and the community.

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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

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



**Steubenville City School District**  
*Statement of Net Assets*  
*June 30, 2010*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$14,374,412
Intergovernmental Receivable	253,340
Accrued Interest Receivable	991
Prepaid Items	5,467
Materials and Supplies Inventory	17,204
Property Taxes Receivable	6,004,643
Investments with Fiscal Agents	1,922,004
Deferred Charges	118,339
Non-Depreciable Capital Assets	6,481,637
Depreciable Capital Assets, Net	45,007,994
<i>Total Assets</i>	74,186,031
<b>Liabilities</b>	
Accounts Payable	20,355
Accrued Wages and Benefits Payable	1,623,677
Intergovernmental Payable	486,913
Contracts Payable	57,142
Vacation Benefits Payable	41,666
Matured Severance Payable	89,628
Accrued Interest Payable	23,935
Retainage Payable	63,008
Claims Payable	272,650
Deferred Revenue	3,481,495
Long-Term Liabilities:	
Due Within One Year	893,007
Due In More Than One Year	11,972,171
<i>Total Liabilities</i>	19,025,647
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	42,562,092
Restricted for:	
Debt Service	4,035,281
Capital Outlay	1,724,131
Budget Stabilization	85,496
State Programs	50,507
Federal Programs	81,082
Food Service	244,080
Preschool Programs	330,497
Classroom Facilities Maintenance	1,181,622
Other Purposes	586,781
Unrestricted	4,278,815
<i>Total Net Assets</i>	\$55,160,384

See accompanying notes to the basic financial statements

**Steubenville 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
<b>Governmental Activities</b>					
Instruction:					
Regular	\$9,800,818	\$2,895,453	\$1,064,033	\$170,000	(\$5,671,332)
Special	4,335,754	245,975	3,260,053	7,966	(821,760)
Vocational	1,010,280	203,238	13,204	0	(793,838)
Student Intervention Services	173,691	0	0	0	(173,691)
Support Services:					
Pupil	1,057,873	0	304,692	0	(753,181)
Instructional Staff	766,315	40,970	458,122	0	(267,223)
Board of Education	46,747	0	0	0	(46,747)
Administration	2,142,957	0	201,615	0	(1,941,342)
Fiscal	390,321	0	229,161	0	(161,160)
Business	229,797	0	5,731	0	(224,066)
Operation and Maintenance of Plant	2,162,219	32,004	79,839	2,485	(2,047,891)
Pupil Transportation	578,767	0	1,179	0	(577,588)
Central	69,549	0	68,560	0	(989)
Operation of Non-Instructional Services	453,428	0	445,347	0	(8,081)
Food Service Operations	890,683	191,173	784,479	0	84,969
Extracurricular Activities	746,503	319,469	0	0	(427,034)
Interest and Fiscal Charges	516,376	0	0	0	(516,376)
<i>Total Governmental Activities</i>	<u>\$25,372,078</u>	<u>\$3,928,282</u>	<u>\$6,916,015</u>	<u>\$180,451</u>	<u>(14,347,330)</u>

**General Revenues**

Property Taxes Levied for General Purposes	3,514,775
Property Taxes Levied for Debt Service	979,127
Property Taxes Levied for Building Maintenance	71,392
Grants and Entitlements not Restricted to Specific Programs	10,267,951
Gifts and Donations	66,778
Investment Earnings	79,703
Miscellaneous	176,747
<i>Total General Revenues</i>	<u>15,156,473</u>
Change in Net Assets	809,143
<i>Net Assets Beginning of Year</i>	<u>54,351,241</u>
<i>Net Assets End of Year</i>	<u><u>\$55,160,384</u></u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,801,134	\$1,674,280	\$1,135,110	\$4,876,121	\$11,486,645
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	85,496	0	3,008	60,000	148,504
Investments with Fiscal and Escrow Agents	0	1,922,004	0	0	1,922,004
Receivables:					
Property Taxes	4,694,860	1,217,780	0	92,003	6,004,643
Interfund	54,938	0	0	0	54,938
Intergovernmental	198,402	0	0	54,938	253,340
Accrued Interest	991	0	0	0	991
Prepaid Items	0	0	0	5,467	5,467
Materials and Supplies Inventory	11,538	0	0	5,666	17,204
<i>Total Assets</i>	<u>\$8,847,359</u>	<u>\$4,814,064</u>	<u>\$1,138,118</u>	<u>\$5,094,195</u>	<u>\$19,893,736</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$11,732	\$0	\$205	\$8,418	\$20,355
Contracts Payable	0	0	57,142	0	57,142
Accrued Wages and Benefits	1,557,030	0	0	66,647	1,623,677
Matured Severance Payable	89,628	0	0	0	89,628
Interfund Payable	0	0	0	54,938	54,938
Intergovernmental Payable	448,978	0	0	37,935	486,913
Retainage Payable	0	0	3,008	60,000	63,008
Deferred Revenue	4,454,576	1,090,888	0	82,803	5,628,267
<i>Total Liabilities</i>	<u>6,561,944</u>	<u>1,090,888</u>	<u>60,355</u>	<u>310,741</u>	<u>8,023,928</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	336,367	0	649,940	870,034	1,856,341
Reserved for Property Taxes	439,677	126,892	0	9,200	575,769
Reserved for Budget Stabilization	85,496	0	0	0	85,496
Unreserved:					
Designated for Budget Stabilization	259,332	0	0	0	259,332
Designated for Textbooks	800,670	0	0	0	800,670
Designated for Capital Maintenance	159,593	0	0	0	159,593
Undesignated, Reported in:					
General Fund	204,280	0	0	0	204,280
Special Revenue Funds	0	0	0	2,303,467	2,303,467
Debt Service Funds	0	3,596,284	0	0	3,596,284
Capital Projects Funds	0	0	427,823	1,600,753	2,028,576
<i>Total Fund Balances</i>	<u>2,285,415</u>	<u>3,723,176</u>	<u>1,077,763</u>	<u>4,783,454</u>	<u>11,869,808</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,847,359</u>	<u>\$4,814,064</u>	<u>\$1,138,118</u>	<u>\$5,094,195</u>	<u>\$19,893,736</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2010*

**Total Governmental Fund Balances** \$11,869,808

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

Capital assets used in governmental activities are not financial  
resources and therefore are deferred in the funds. 51,489,631

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

Tuition and Fees	198,402
Property Taxes	1,947,379
Interest	991
	_____

Total 2,146,772

Unamortized issuance costs represent deferred charges which  
do not provide current financial resources and, therefore, are  
not reported in the funds. 118,339

An internal service fund is used by management to charge the  
costs of insurance to individual funds. The assets and  
liabilities of the internal service fund are included in  
governmental activities on the statement of net assets. 2,466,613

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

General Obligation Bonds - Serial / Term	5,530,000
General Obligation Bonds - Capital Appreciation Bonds	507,884
Compensated Absences	1,088,562
Vacation Benefits Payable	41,666
Qualified Zone Academy Bonds	4,630,240
Accrued Interest Payable	23,935
Accretion on Capital Appreciation Bonds	1,108,492
	_____

Total (12,930,779)

*Net Assets of Governmental Activities* \$55,160,384

See accompanying notes to the basic financial statements

**Stebenville 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	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$3,297,293	\$932,981	\$0	\$67,608	\$4,297,882
Intergovernmental	11,917,577	227,682	0	5,216,244	17,361,503
Interest	37,590	48,686	0	548	86,824
Tuition and Fees	3,143,519	0	0	43,715	3,187,234
Extracurricular Activities	0	0	0	298,276	298,276
Rent	9,825	0	0	22,179	32,004
Contributions and Donations	2,159	0	170,000	64,619	236,778
Charges for Services	0	0	0	212,366	212,366
Miscellaneous	101,255	0	41,652	33,840	176,747
<i>Total Revenues</i>	<u>18,509,218</u>	<u>1,209,349</u>	<u>211,652</u>	<u>5,959,395</u>	<u>25,889,614</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,944,865	0	619	1,075,075	9,020,559
Special	2,423,156	0	0	1,791,084	4,214,240
Vocational	884,697	0	0	12,247	896,944
Student Intervention Services	173,691	0	0	0	173,691
Support Services:					
Pupil	725,589	0	0	321,604	1,047,193
Instructional Staff	155,203	0	0	502,362	657,565
Board of Education	46,747	0	0	0	46,747
Administration	1,823,527	0	0	216,352	2,039,879
Fiscal	363,472	23,582	0	3,050	390,104
Business	206,749	0	0	23,224	229,973
Operation and Maintenance of Plant	1,996,546	0	0	113,588	2,110,134
Pupil Transportation	551,765	0	57,771	1,203	610,739
Central	307	0	0	69,242	69,549
Operation of Non-Instructional Services	535	0	0	416,778	417,313
Food Service Operations	0	0	0	883,356	883,356
Extracurricular Activities	275,486	0	0	427,683	703,169
Capital Outlay	695	0	944,710	315,101	1,260,506
Debt Service:					
Principal Retirement	0	335,428	0	0	335,428
Interest and Fiscal Charges	0	305,523	0	0	305,523
CAB Accretion	0	459,572	0	0	459,572
<i>Total Expenditures</i>	<u>17,573,030</u>	<u>1,124,105</u>	<u>1,003,100</u>	<u>6,171,949</u>	<u>25,872,184</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>936,188</u>	<u>85,244</u>	<u>(791,448)</u>	<u>(212,554)</u>	<u>17,430</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	164,674	300,000	0	464,674
Sale of Capital Assets	4,778	0	0	0	4,778
Transfers Out	(464,674)	0	0	0	(464,674)
<i>Total Other Financing Sources (Uses)</i>	<u>(459,896)</u>	<u>164,674</u>	<u>300,000</u>	<u>0</u>	<u>4,778</u>
<i>Net Change in Fund Balances</i>	476,292	249,918	(491,448)	(212,554)	22,208
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	1,809,123	3,473,258	1,569,211	4,996,008	11,847,600
<i>Fund Balances End of Year</i>	<u>\$2,285,415</u>	<u>\$3,723,176</u>	<u>\$1,077,763</u>	<u>\$4,783,454</u>	<u>\$11,869,808</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

**Net Change in Fund Balances - Total Governmental Funds** \$22,208

*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 asset additions in the current period.

Capital Outlay	1,260,615	
Depreciation	<u>(1,867,267)</u>	
Total		(606,652)

Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities (3,513)

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

Property Taxes	267,412	
Intergovernmental	(167,086)	
Tuition and Fees	198,402	
Interest	<u>(7,164)</u>	
Total		291,564

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

General Obligation Bonds	200,000	
Capital Appreciation Bonds	135,428	
Capital Appreciation Bond Accretion	<u>459,572</u>	
Total		795,000

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	773	
Accretion of Interest	<u>(201,029)</u>	
Total		(200,256)

Issuance cost are reported as an expenditure when paid in governmental fund, but are allocated as an expense over the life of the outstanding debt on the statement of activities (10,597)

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

Vacation Benefits Payable	(10,269)	
Compensated Absences	<u>1,675</u>	
Total		(8,594)

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

529,983

*Change in Net Assets of Governmental Activities*

\$809,143

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$3,591,589	\$3,135,058	\$3,135,058	\$0
Intergovernmental	12,058,361	11,917,577	11,917,577	0
Interest	136,065	34,277	34,493	216
Tuition and Fees	3,036,133	3,143,519	3,143,519	0
Rent	3,345	9,825	9,825	0
Contributions and Donations	1,198	2,159	2,159	0
Miscellaneous	83,232	101,255	101,255	0
<i>Total Revenues</i>	<u>18,909,923</u>	<u>18,343,670</u>	<u>18,343,886</u>	<u>216</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,595,293	8,414,824	8,234,450	180,374
Special	2,700,111	2,550,020	2,328,589	221,431
Vocational	1,074,022	1,022,348	892,814	129,534
Student Intervention Services	89,543	173,764	173,691	73
Support Services:				
Pupil	824,269	796,430	701,543	94,887
Instructional Staff	212,598	203,763	151,049	52,714
Board of Education	81,231	81,271	61,256	20,015
Administration	1,843,021	1,937,412	1,776,548	160,864
Fiscal	455,407	435,737	385,258	50,479
Business	263,808	302,832	227,952	74,880
Operation and Maintenance of Plant	2,750,354	2,666,821	2,160,330	506,491
Pupil Transportation	664,649	657,238	555,600	101,638
Central	9,500	9,500	7,278	2,222
Operation of Non-Instructional Services	1,000	891	535	356
Extracurricular Activities	314,933	298,561	263,808	34,753
Capital Outlay	319	1,019	695	324
<i>Total Expenditures</i>	<u>18,880,058</u>	<u>19,552,431</u>	<u>17,921,396</u>	<u>1,631,035</u>
Excess of Revenues Over (Under) Expenditures	<u>29,865</u>	<u>(1,208,761)</u>	<u>422,490</u>	<u>1,631,251</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	6,500	4,778	4,778	0
Payment to QZAB Escrow Agent	(557,000)	(1,662)	0	1,662
Transfers In	500,000	0	0	0
Transfers Out	(1,071,710)	(503,745)	(464,674)	39,071
Advances Out	0	(55,000)	(54,938)	62
<i>Total Other Financing Sources (Uses)</i>	<u>(1,122,210)</u>	<u>(555,629)</u>	<u>(514,834)</u>	<u>40,795</u>
<i>Net Change in Fund Balance</i>	<u>(1,092,345)</u>	<u>(1,764,390)</u>	<u>(92,344)</u>	<u>1,672,046</u>
<i>Fund Balance Beginning of Year</i>	<u>3,624,988</u>	<u>3,624,988</u>	<u>3,264,988</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>365,377</u>	<u>365,377</u>	<u>365,377</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,538,020</u></u>	<u><u>\$1,865,975</u></u>	<u><u>\$3,538,021</u></u>	<u><u>\$1,672,046</u></u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2010*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,739,263
<b>Current Liabilities</b>	
Claims Payable	<u>272,650</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$2,466,613</u></u>

See accompanying notes to the basic financial statements



**Steubenville City School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2010*

	<u>Governmental Activity</u> <u>Internal Service</u> <u>Fund</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$3,246,073</u>
<b>Operating Expenses</b>	
Purchased Services	369,788
Claims	<u>2,346,345</u>
<i>Total Operating Expenses</i>	<u>2,716,133</u>
<i>Operating Income</i>	529,940
<b>Non-Operating Revenues</b>	
Interest	<u>43</u>
<i>Change in Net Assets</i>	529,983
<i>Net Assets Beginning of Year</i>	<u>1,936,630</u>
<i>Net Assets End of Year</i>	<u><u>\$2,466,613</u></u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2010

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$3,246,073
Cash Payments for Services	(369,788)
Cash Payments for Claims	(2,386,928)
	489,357
<i>Net Cash Provided by Operating Activities</i>	<i>489,357</i>
<b>Cash Flows from Investing Activities</b>	
Interest	43
	43
<i>Net Cash Provided by Investing Activities</i>	<i>43</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>489,400</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>2,249,863</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$2,739,263</i>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$529,940
Decrease in Claims Payable	(40,583)
	\$489,357
<i>Net Cash Provided by Operating Activities</i>	<i>\$489,357</i>
See accompanying notes to the basic financial statements	

**Steubenville City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2010*

	Private Purpose Trust Funds	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$319,145	\$45,753
Investments	58,531	0
<i>Total Assets</i>	377,676	\$45,753
<b>Liabilities</b>		
Due to Students	0	\$45,753
<b>Net Assets</b>		
Held in Trust for Scholarships	377,676	
<i>Total Net Assets</i>	\$377,676	

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Private Purpose Trust Funds
<b>Additions</b>	
Contributions and Donations	\$109,063
Investment Income	11,877
Total Additions	120,940
<b>Deductions</b>	
Scholarships Awarded	88,419
<i>Net Change in Fund Balance</i>	32,521
<i>Net Assets Beginning of Year</i>	345,155
<i>Net Assets End of Year</i>	\$377,676

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

The School District was established in 1838. The School District serves an area of 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 114 non-certificated employees, 171 certificated full-time teaching personnel, and 18 administrative employees who provide services to 2,408 students and other community members. The School District currently operates 3 elementary schools, 1 middle school, 1 high school, and 1 administrative center.

*Reporting Entity:*

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

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

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

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

The School District is involved with the Jefferson County Joint Vocational School, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), and the Educational Regional Service System Region 12 (ERSS), which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the financial statements.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

The financial statements of the Steubenville City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund 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 general purpose 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

The statement of net 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

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

**Permanent Improvement Fund** - The Permanent Improvement Fund is used to account for donations, general fund transfers, and the sale of capital assets which are used to finance various capital projects in the School District.

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

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

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net 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. The School District's fiduciary funds include private-purpose trust and agency funds. Private-purpose trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has a private purpose trust which accounts for various college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **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

**Steubenville City School District**  
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balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred 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 taxes are levied (See Note 6). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** 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.



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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 the governmental funds.

**E. Cash and Cash Equivalents**

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

During fiscal year 2010, investments were limited to mutual funds, common stock, preferred stock, non-negotiable certificates of deposit, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and STAR Ohio.

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

Investments in common stock, preferred stock, and Federal National Mortgage Association Notes are reported at fair value, which is based on quoted market prices. Mutual funds and money market mutual funds are reported at current share value. Certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$37,590, which includes \$27,887, 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 equivalents. The District reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in the fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

**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 are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments, amounts required by State Statute to be set-aside by the School District for budget stabilization, and amounts withheld on construction contracts until the successful completion of the contract. See Note 18 for additional information regarding set-asides.

**Steubenville City School District**  
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**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 and donated food held for resale.

**I. Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	20 - 50 Years
Furniture and Equipment	5-20 Years
Vehicles	8 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

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

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

The entire 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.

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

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

In the government-wide financial statements, 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 difference (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 bonds are issued. The face amount of the debt issue is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source, 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. Internal Activity**

Transfers within governmental activities are eliminated on the government wide financial statements.

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

**Steubenville City School District**  
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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/Designations**

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

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

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the Board's plans, although they may be subject to change. Designations are reported as part of unreserved fund balance. The School District reports a fund balance designation on the balance sheet for additional money set-aside by the Board of Education above the required reserve for budget stabilization, the purchase of textbooks, and capital expenditures.

**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 adopted 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. Of the 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. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. Revenues and expenses not meeting this determination are reported as non-operating.

**R. 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.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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**S. 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.

**T. Budgetary Data**

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

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

Prior to year end, 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 / RESTATEMENTS**

**A. 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.

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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.

**B. Restatement of Fund Balance** - In prior years, the Classroom Facilities Fund has been reported as a major fund. During 2010, the Classroom Facilities Fund will be presented as a nonmajor fund. The prior year balance is presented as a reconciling item in the table below for comparability between years.

	Major Fund	Other Governmental
	Classroom Facilities	Funds
Fund Balance at June 30, 2009	\$2,070,797	\$2,925,211
Classroom Facilities	(2,070,797)	2,070,797
Restated Fund Balance at June 30, 2010	\$0	\$4,996,008

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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5. Unrecorded cash and unrecorded interest are reported on the balance sheet (GAAP basis), but not on the budgetary basis. The reconciled difference between the beginning and end of the year is reflected in the following tables as unrecorded cash.

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

Net Change in Fund Balance

	General
GAAP Basis	\$476,292
Revenue Accruals	(162,235)
Unrecorded Cash	(3,097)
Expenditure Accruals	(2,856)
Advances Out	(54,938)
Encumbrances	(345,510)
Budget Basis	(\$92,344)

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage

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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);
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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

#### 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, \$2,886,112 of the School District's bank balance of \$9,088,386 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

#### Investments

As of June 30, 2010, the School District had the following investments: Star Ohio which is part of the internal investment pool, a Federal National Mortgage Association Notes, and a mutual fund that are held by a Fiscal Agent for future Debt Service, and mutual funds and stocks that are donated assets which are held for the private purpose trust fund.



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	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Mutual Funds	\$1,240	**	0.02%	AAA	S&P
Mutual Funds	834	**	0.01%	AA-	S&P
Mutual Funds	12,277	**	0.15%	BBB	S&P
Mutual Funds	953	**	0.01%	A-	S&P
Common Stock	16,794	N/A	0.21%	A-	S&P
Common Stock	1,904	N/A	0.02%	B	S&P
Preferred Stock	18,913	N/A	0.23%	BBB-	S&P
Common Stock	5,616	N/A	0.07%	BB	S&P
Federal National Mortgage Association Note	263,695	12/30/2010	3.25%	Aaa	Moody's
Federal National Mortgage Association Note	1,658,309	8/16/2010 ^	20.43%	Aaa	Moody's
STAR Ohio	<u>6,137,400</u>	56.0 Days	<u>75.60%</u>	AAAm	S&P
Totals	<u><u>\$8,117,935</u></u>		<u><u>100.00%</u></u>		

\*\* Not available to the School District at June 30, 2010.

^ = See subsequent event note (Note 20)

**Interest Rate Risk.** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

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

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

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

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**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 twenty-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 Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

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 \$439,677 in the General Fund, \$126,892 in the Debt Service Fund, and \$9,200 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2009, was \$277,442 in the General Fund, \$82,600 in the Debt Service Fund, and \$5,825 in the Classroom Facilities Maintenance Special Revenue Fund.

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

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The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$164,523,580	94.89%	\$159,863,370	94.20%
Public Utility Personal	8,862,700	5.11%	9,841,590	5.80%
	<u>\$173,386,280</u>	<u>100.00%</u>	<u>\$169,704,960</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$35.35		\$35.35

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010, consisted of property taxes, accrued interest, 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 \$1,947,379 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Title I American Recovery and Reinvestment Grant	\$32,179
Title I-D American Recovery and Reinvestment Grant	1,649
Title IV-A Drug Free School Grant	123
IDEA-B Early Childhood Grant	1,735
IDEA-B American Recovery and Reinvestment Grant	3,286
IDEA-B Early Childhood American Recovery and Reinvestment Grant	15,966
Excess Cost Reimbursement	198,402
Total	<u>\$253,340</u>

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 8 – INTERNAL BALANCES AND TRANSFERS**

**A. Interfund Balances**

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

<u>Interfund Payable</u>	<u>Interfund Receivable General Fund</u>
Other Nonmajor Governmental	<u>\$54,938</u>

The loans made to the Title I Fund, the Preschool/Afterschool Program Fund and the Miscellaneous Federal Fund were made to support the programs until grant monies are received to operate the programs.

**B. Transfers**

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

<u>Transfer from</u>	<u>Transfer to</u>		<u>Total</u>
	<u>Major Funds</u>		
	<u>Debt Service</u>	<u>Permanent Improvement</u>	
General Fund	<u>\$164,674</u>	<u>\$300,000</u>	<u>\$464,674</u>

Transfers were used to move receipts from the General Fund to the Debt Service Fund for the annual debt service sinking payments to the QZAB debt service escrow accounts. See Long Term Obligations Note 15 for further details. Transfers were also used to move receipts from the General Fund to the Permanent Improvement Capital Project Fund for various capital projects.

**Steubenville 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 year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
<b>Nondepreciable Capital Assets:</b>				
Land	\$6,421,487	\$0	\$0	\$6,421,487
Construction in Progress	0	60,150	0	60,150
<b>Total Nondepreciable Capital Assets</b>	<b>6,421,487</b>	<b>60,150</b>	<b>0</b>	<b>6,481,637</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	2,126,984	69,867	0	2,196,851
Buildings and Improvements	52,326,884	605,524	(458,312)	52,474,096
Furniture and Equipment	2,839,499	377,866	0	3,217,365
Vehicles	1,038,600	147,208	(117,572)	1,068,236
<b>Total Depreciable Capital Assets</b>	<b>58,331,967</b>	<b>1,200,465</b>	<b>(575,884)</b>	<b>58,956,548</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(1,195,979)	(65,518)	0	(1,261,497)
Buildings and Improvements	(9,373,107)	(1,543,989)	454,799	(10,462,297)
Furniture and Equipment	(1,184,715)	(221,883)	0	(1,406,598)
Vehicles	(899,857)	(35,877)	117,572	(818,162)
<b>Total Accumulated Depreciation</b>	<b>(12,653,658)</b>	<b>(1,867,267)</b>	<b>572,371</b>	<b>(13,948,554)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>45,678,309</b>	<b>(666,802)</b>	<b>(3,513)</b>	<b>45,007,994</b>
<b>Governmental Capital Assets, Net</b>	<b>\$52,099,796</b>	<b>(\$606,652)</b>	<b>(\$3,513)</b>	<b>\$51,489,631</b>

Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Regular	\$910,114
Special	206,702
Vocational	145,168
<b>Support Services:</b>	
Pupil	47,878
Instructional Staff	123,904
Administration	200,767
Fiscal	17,450
Operation of Maintenance and Plant	106,906
Pupil Transportation	27,533
Extracurricular	43,334
Non Instructional Services	13,692
Food Service Operations	23,819
<b>Total Depreciation Expense</b>	<b>\$1,867,267</b>

**Steubenville 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. The School District contracts with McBane Insurance Agency for general liability, errors and omissions, property, and fleet insurance. The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$2,500 deductible with total coverage of \$66,490,936. The fleet coverage has limits of liability of \$1,000,000 for each accident and \$2,000 medical payments for each accident.

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

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with Medical Mutual of Ohio to provide third-party administration services of the self insurance plan. The Board pays 100 percent of the premiums which are \$1,897.37 for family coverage and \$702.12 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$272,650 reported in the internal service 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>Balance at</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at End</u> <u>of Year</u>
2009	\$481,484	\$2,605,757	\$2,774,008	\$313,233
2010	313,233	2,346,345	2,386,928	272,650

For fiscal year 2010 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - 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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 \$275,753, \$186,629 and \$161,126 respectively; 46.99 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,301,772, \$1,306,178, and \$1,292,631 respectively; 82.78 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 \$9,616 made by the School District and \$21,521 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, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 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 \$10,822, \$85,410, and \$73,527 respectively; 46.99 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.



**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$16,450, \$15,398, and \$11,610 respectively; 46.99 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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 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 were \$100,136, \$98,650, and \$99,443 respectively; 82.78 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for all employees.

**B. Other Insurance Benefits**

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

**Stuebenville City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 14 – CONSTRUCTION COMMITMENT**

As of June 30, 2010, the School District had the following significant contractual purchase commitments. The amounts are as follows:

Contractor	Fund	Purchase Commitments	Amounts Paid as of June 30, 2010	Amounts Remaining on Contracts
<b><u>Harding Middle School Addition:</u></b>				
Grae Con Construction, Inc.	PI (003)	\$520,000	\$0	\$520,000
<b><u>Multi-Purpose Building/Paving:</u></b>				
R.S.V., Inc.	PI (003)	703,378	675,391	27,987
<b><u>Stadium Grandstand Project:</u></b>				
Dave York, Inc.	PI (003)/Athletics (300)	160,000	0	160,000
Totals		<u>\$1,383,378</u>	<u>\$675,391</u>	<u>\$707,987</u>

**NOTE 15 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due In One Year
<b><i>1993 High School Addition and Improvements, Series A</i></b>					
Serial Bonds, \$951,384 @ 5.95%	\$525,000	\$0	\$45,000	\$480,000	\$45,000
<b><i>1998 Refunding Bonds, \$10,515,000</i></b>					
Term Bonds, \$8,130,000 @ 3.5%-5.25%	3,235,000	0	0	3,235,000	0
Capital Appreciation Bonds, \$512,935 @ 4.4%-4.55%	358,312	0	135,428	222,884	119,622
Accretion of Interest, \$1,872,065 @ 13.70-13.75%	1,134,075	163,712	459,572	838,215	480,378
<b><i>2000 School Facilities Bonds, \$3,640,000</i></b>					
Serial/Term Bonds, \$2,960,000 @ 4.4%-5.6%	1,970,000	0	155,000	1,815,000	160,000
Capital Appreciation Bonds, \$285,000 @ 5.25%-5.5%	285,000	0	0	285,000	0
Accretion of Interest, \$395,000 @ 7.022%-7.185%	232,960	37,317	0	270,277	0
<b><i>2007 Qualified Zone Academy Bonds, \$700,000 @ 0%</i></b>					
	700,000	0	0	700,000	0
<b><i>2005 Qualified Zone Academy Bonds, \$3,930,240 @ 0%</i></b>					
	3,930,240	0	0	3,930,240	0
Total Bonds	12,370,587	201,029	795,000	11,776,616	805,000
Compensated Absences	1,090,237	153,064	154,739	1,088,562	88,007
Total General Long-Term Obligations	<u>\$13,460,824</u>	<u>\$354,093</u>	<u>\$949,739</u>	<u>\$12,865,178</u>	<u>\$893,007</u>

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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Compensated absences will be paid from the General Fund, and Food Service, and Miscellaneous State Grants Special Revenue Funds.

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

*1998 Refunding General Obligation Bonds* - On September 30, 1998, the School District issued \$10,515,000 in general obligation bonds. The bonds refunded \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2022. Principal and accretion outstanding at June 30, 2010 amounted to \$4,296,099, including current year accretion of \$163,712.

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

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

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

The capital appreciation bonds for the 1998 issue mature December 1, 2009 through December 1, 2011. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,195,000. For fiscal year 2010, \$595,000 of the capital appreciation bonds were repaid, and \$163,712 was accreted leaving a remaining total bond liability of \$1,061,099.

*2000 School Facilities General Obligation Bonds* - On November 1, 2000, the School District issued \$3,640,000 in voted general obligation bonds which included capital appreciation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. Principal and accretion outstanding at June 30, 2010 amounted to \$2,370,277, including current year accretion of \$37,317.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building.

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The 2000 bond issue consists of serial, term, and capital appreciation bonds. The term bonds that mature December 1, 2015 through December 1, 2022 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015 through December 1, 2022 as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2015	\$170,000
2016	180,000
2017	190,000
2018	200,000
2019	210,000
2020	220,000
2021	235,000
2022	250,000
	<u>\$1,655,000</u>

The capital appreciation bonds for the 2000 issue mature December 1, 2011 through December 1, 2014. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$680,000. For fiscal year 2010, \$37,317 was accreted for a total bond liability of \$555,277.

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

*2007 Qualified Zone Academy Bonds* – On August 17, 2007, the School District issued \$700,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District’s locally funded portion of renovations of the High School theater/auditorium through the Ohio School Facilities Commission. The QZAB matures in 2022, with the entire principal balance coming due at maturity. The QZAB does not bear interest. To satisfy fiscal agent requirements of the program, the School District placed \$175,000 in a debt service sinking fiscal agent account for future payment of the bonds with US Bank, the fiscal agent. The fiscal agent account will be invested with all of the proceeds to be used for the final payoff of the bonds in 2022. Along with the investment earnings of the fiscal agent account, the School District is required to place \$21,932, annually into the debt service sinking fiscal agent account that will be used for the final bond repayment in 2022. The value of the fiscal agent account is recorded as restricted investments with fiscal agents in the debt service fund.

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Principal and interest requirements to retire the 1993 High School Addition and Improvements 5.95% Series A Bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	\$45,000	\$28,594	\$73,594
2012	50,000	25,625	75,625
2013	55,000	22,344	77,344
2014	60,000	18,751	78,751
2015	60,000	15,001	75,001
2016-2018	210,000	20,313	230,313
Total	<u>\$480,000</u>	<u>\$130,628</u>	<u>\$610,628</u>

Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2010, including accreted interest of \$972,116 are as follows:

Fiscal Year	Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2011	\$0	\$169,838	\$119,622	\$480,378	\$119,622	\$650,216
2012	0	169,838	103,262	491,738	103,262	661,576
2013	600,000	154,088	0	0	600,000	154,088
2014	625,000	121,932	0	0	625,000	121,932
2015	660,000	88,201	0	0	660,000	88,201
2016-2017	1,350,000	69,826	0	0	1,350,000	69,826
Totals	<u>\$3,235,000</u>	<u>\$773,723</u>	<u>\$222,884</u>	<u>\$972,116</u>	<u>\$3,457,884</u>	<u>\$1,745,839</u>

Principal and interest requirements to retire the 2000 Classroom Facilities Variable Interest Bonds outstanding at June 30, 2010, including accreted interest of \$395,000 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2011	\$160,000	\$96,600	\$0	\$0	\$160,000	\$96,600
2012	0	92,680	77,960	92,040	77,960	184,720
2013	0	92,680	73,590	96,410	73,590	189,090
2014	0	92,680	68,958	101,042	68,958	193,722
2015	0	92,680	64,492	105,508	64,492	198,188
2016-2020	950,000	336,000	0	0	950,000	336,000
2021-2023	705,000	60,900	0	0	705,000	60,900
Totals	<u>\$1,815,000</u>	<u>\$864,220</u>	<u>\$285,000</u>	<u>\$395,000</u>	<u>\$2,100,000</u>	<u>\$1,259,220</u>

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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The School District's overall legal debt margin was \$10,794,646 with an unvoted debt margin of \$168,425 at June 30, 2010.

*1993 Steubenville High School Addition and Improvement General Obligation Bonds and 1998 Refunding General Obligation Bonds* – On July 29, 2009, Ambac Assurance Corporation, the bond insurer for these bond issues, was downgraded by Moody's Investor Services from Ba3 to Caa2. Based on Moody's modified approach to rating structured finance securities by financial guarantors, effective September 1, 2009, this will cause the rating to be effectively withdrawn, as the rating has fallen below Baa3.

*2000 School Facilities General Obligation Bonds* – On July 24, 2009, MBIA Insurance Corporation, the insurer for this bond issue, was issued a credit rating of B3, with a negative outlook by Moody's Investor Services.

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 School District and/or obligated person, as provided under 17 C.F.R. 240.15c2-12, did not file with the Electronic Municipal Market Access (EMMA) system the required Material Event Notices referencing the relevant transactions and rating changes which had occurred by June 30, 2010.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

*Jefferson County Joint Vocational School* – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2010, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

*Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)* - The Ohio Mid-Eastern Regional Education Service Agency was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2010, the total amount paid to OME-RESA from the School District was \$263,420 for cooperative gas purchasing services and \$77,199 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. Effective July 1, 2010, the information technology portion of the OME-RESA consortium was dissolved. See Subsequent Event Note 20 for further details.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$320 for fiscal year 2010.

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

**NOTE 17 – PUBLIC ENTITY POOL**

**Insurance Purchasing Pool**

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

**NOTE 18 - 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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2009	\$0	\$0	\$85,496
Current Year Set-aside Requirement	285,219	285,219	0
Current Year Offsets	0	(59,658)	0
Qualifying Disbursements	(353,091)	(184,481)	0
Qualifying Transfers	0	(300,000)	0
Totals	<u>(\$67,872)</u>	<u>(\$258,920)</u>	<u>\$85,496</u>
Allowable Carry Forward for Fiscal Year 2009	(401,421)	(6,590,878)	N/A
Current Year Carry Forward Eligible Amounts	<u>(67,872)</u>	<u>(25,082)</u>	<u>N/A</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$469,293)</u>	<u>(\$6,615,960)</u>	<u>N/A</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$0</u>	<u>\$0</u>	<u>\$85,496</u>

The School District had qualifying disbursements from the current and prior fiscal years that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The School District had offsets, qualifying disbursements, and transfers during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside which may not be carried forward to future years. The District also had current year and prior year capital expenditures from debt proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

**NOTE 19 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other



**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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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 currently not party to any legal proceedings.

**NOTE 20 – SUBSEQUENT EVENTS**

Investments: On August 16, 2010, the \$1,658,309 Federal National Mortgage Association Note held by the School District matured. The School District subsequently purchased a Federal Home Loan Bank Note with a par value of \$1,807,000 at 98.65 percent for \$1,782,666, which has a maturity date of February 15, 2011, and carries a credit rating of Aaa.

2005 Qualified Zone Academy Bonds: The School District made the required annual debt service sinking escrow payment and deposited in the Debt Service Escrow account in the amount of \$120,810 on August 9, 2010.

Assets: On October 21, 2009 the Board of Education approved a contract with Featheringham Realty to sell the Roosevelt Elementary School District property. As of the date of the financial statements, an offer is pending, but the property has not yet been sold.

Donation: On August 19, 2010 the School District accepted the fourth installment of a pledge from the Charles M. Pugliese and Thelma M. Pugliese charitable foundation, in the amount of \$170,000. The payment was received as required per the approved Qualified Zone Academy Bond issuance.

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 Steubenville City School District has passed a resolution approving membership in the OME-RESA Council and is currently receiving information technology services through the Council.

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. Steubenville City School District will have the balance due paid in equal installments over a six year period beginning July, 2010

Federal Grant: The School District has been approved for \$724,300 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 programs.

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**STEBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
JUNE 30, 2010**

<b>Federal Grantor/Pass Through Grantor Program Title</b>	<b>Pass-Through Entity No.</b>	<b>Federal CFDA No.</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance: National School Lunch Program		10.551	\$56,352	\$56,352
Cash Assistance: National School Lunch Program	04-PU-10	10.555	524,636	524,636
National School Breakfast Program	05-PU-10	10.553	213,968	213,968
Child Nutrition Discretionary Grants - Limited Availability	2010	10.579	<u>6,648</u>	<u>6,648</u>
Cash Assistance Subtotal			745,252	745,252
Total U.S. Department of Agriculture - Nutrition Cluster (Cash and Non-Cash)			801,604	801,604
<b>U.S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2010	84.010	1,192,969	1,192,969
Title I- Grants to Local Educational Agencies - Recovery Act	2010	84.389	<u>494,841</u>	<u>494,841</u>
Total Title I - Grants to Local Education Agencies			1,687,810	1,687,810
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-2010	84.027	628,059	628,059
Special Education - Preschool Grant	PG-S1-2010	84.173	26,618	26,618
Special Education Grants to States- Recovery Act	2010	84.391	304,145	304,145
Special Education-Preschool - Recovery Act	2010	84.392	<u>10,196</u>	<u>10,196</u>
Total Special Education Cluster			969,018	969,018
ARRA-State Fiscal Stabilization Fund (SFSF) -Education State Grants Recovery Act (Education Stabilization Fund)	2010	84.394	711,976	711,976
Title II-A Improving Tchr Quality Program	TR-S1-2010	84.367	244,132	244,132
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2010	84.186	13,349	13,349
Education Technology State Grants Title II-D	TJ-S1-2010	84.318	10,451	10,451
Total Department of Education			<u>3,636,736</u>	<u>3,636,736</u>
Total Federal Awards			<u>\$4,438,340</u>	<u>\$4,438,340</u>

*See the notes to the Federal Awards Expenditures schedule.*

**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
JUNE 30, 2010**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. CHILD NUTRITION CLUSTER**

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

**C. FOOD DONATION PROGRAM**

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



# Mary Taylor, CPA

Auditor of State

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

Steubenville City School District  
Jefferson County  
PO Box 189  
Steubenville, Ohio 43952

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 Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2010. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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, in 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 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 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 10, 2010.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 10, 2010



# Mary Taylor, CPA

Auditor of State

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

Steubenville City School District  
Jefferson County  
PO Box 189  
Steubenville, Ohio 43952

To the Board of Education:

### Compliance

We have audited the compliance of Steubenville City School District (the 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 Steubenville City 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 District's major federal programs. The 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 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 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 District's compliance with those requirements.

In our opinion, the Steubenville City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The 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 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 District's internal control over compliance.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293  
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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Steubenville City School District  
Jefferson County  
Independent Accountants' Report on Compliance with  
Requirements Applicable to Each Major Federal Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133

*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 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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 10, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

December 10, 2010



**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 84.010 & 84.389 Special Education Cluster 84.027, 84.173, 84.391 & 84.392 Education Federal Stimulus 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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Mary Taylor, CPA  
Auditor of State

STEUBENVILLE CITY SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 18, 2011