



Dave Yost · Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Schoolwide Pool Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on February 23, 2004 based on the 5 year forecast.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary and Other Information***

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

St. Clairsville-Richland City School District  
Belmont County  
Independent Auditors' Report  
Page 3

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 19, 2013

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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

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The discussion and analysis of the St. Clairsville-Richland City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## **Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- Net position increased \$455,996.
- General revenues accounted for \$12,578,264 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services, operating grants, and capital grants and contributions accounted for \$3,463,000 or 22 percent of total revenues in the amount of \$16,041,264.
- Total assets increased \$196,714, primarily due to increases in property taxes receivable and intergovernmental receivables, which were offset slightly decreases in cash and cash equivalents. Total liabilities decreased primarily due to debt service payments on long-term obligations. The decrease was offset slightly by increases in contracts payable.
- The School District had \$15,585,268 in expenses related to governmental activities; only \$3,463,000 of these expenses were offset by program specific charges for services, operating grants, capital grants and contributions. General revenues in the amount of \$12,578,264 were adequate to provide for these programs.
- Total Governmental funds had \$15,919,892 in revenues and \$16,364,267 in expenditures. Overall, including other financing sources and uses, total Governmental funds' balance decreased \$379,019.

## **Using this Annual Financial Report**

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

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

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

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2013*

*Unaudited*

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

#### *Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Debt Service Fund, and the Schoolwide Pool Special Revenue Fund.

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

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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## Reporting the District's Fiduciary Responsibilities

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

### The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

	2013	2012	Change
<b>Governmental Activities</b>			
<b>Assets</b>			
Current and Other Assets	\$10,712,350	\$10,558,286	\$154,064
Capital Assets	8,889,436	8,846,786	42,650
<b>Total Assets</b>	<b>19,601,786</b>	<b>19,405,072</b>	<b>196,714</b>
<b>Liabilities</b>			
Long-Term Liabilities	1,863,667	2,697,885	(834,218)
Other Liabilities	1,963,987	1,799,915	164,072
<b>Total Liabilities</b>	<b>3,827,654</b>	<b>4,497,800</b>	<b>(670,146)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance Current Year Operations	7,746,546	7,335,682	410,864
<b>Net Position</b>			
Net Investment in Capital Assets	8,238,365	7,551,383	686,982
Restricted	1,054,361	925,713	128,648
Unrestricted (Deficit)	(1,265,140)	(905,506)	(359,634)
<b>Total Net Position</b>	<b>\$8,027,586</b>	<b>\$7,571,590</b>	<b>\$455,996</b>

Total assets increased \$196,714, primarily due to increases in property taxes receivable, as well as an increase in intergovernmental receivable. The increase in current assets was offset slightly by a decrease in cash and cash equivalents. Capital assets reflect a slight increase as construction in progress and other additions were offset by annual depreciation.

Total liabilities decreased \$670,146, primarily due to decreases in long-term liabilities. The decrease in long-term liabilities is primarily due to annual debt service payments on long-term obligations, which was offset slightly by increases in other liabilities, primarily due to increases in contracts payable, related to the construction in progress, which was offset by decreases in accrued wages and benefits.

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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Table 2 shows the changes in net position for fiscal year 2013 compared to fiscal year 2012.

Table 2  
 Changes in Net Position  
 Governmental Activities

	2013	2012	Change
<b>Revenues</b>			
<i>Program Revenue</i>			
Charges for Services	\$1,932,350	\$1,750,712	\$181,638
Operating Grants	1,360,180	1,159,418	200,762
Capital Grants and Contributions	170,470	0	170,470
<b>Total Program Revenue</b>	<b>3,463,000</b>	<b>2,910,130</b>	<b>552,870</b>
<i>General Revenue</i>			
Property Taxes	7,819,500	7,299,833	519,667
Grants and Entitlements	4,545,674	4,672,323	(126,649)
Gifts and Donations	106,659	83,702	22,957
Investments	1,587	4,790	(3,203)
Gain on Sale of Capital Assets	0	2,335	(2,335)
Miscellaneous	104,844	59,230	45,614
<b>Total General Revenue</b>	<b>12,578,264</b>	<b>12,122,213</b>	<b>456,051</b>
<b>Total Revenues</b>	<b>16,041,264</b>	<b>15,032,343</b>	<b>1,008,921</b>
<b>Program Expenses</b>			
Instruction:			
Regular	7,680,158	7,753,584	(73,426)
Special	1,650,894	1,563,757	87,137
Vocational	24,245	25,655	(1,410)
Support Services:			
Pupil	752,453	892,754	(140,301)
Instructional Staff	234,050	469,062	(235,012)
Board of Education	19,722	20,033	(311)
Administration	872,982	844,365	28,617
Fiscal	549,148	508,427	40,721
Operation and Maintenance of Plant	1,274,063	1,217,445	56,618
Pupil Transportation	717,356	681,530	35,826
Central	262,949	259,668	3,281
Operation of Non-Instructional Services	279,687	189,053	90,634
Food Service Operations	283,340	309,954	(26,614)
Extracurricular Activities	803,394	701,727	101,667
Interest and Fiscal Charges	180,827	204,173	(23,346)
<b>Total Expenses</b>	<b>15,585,268</b>	<b>15,641,187</b>	<b>(55,919)</b>
Change in Net Position	455,996	(608,844)	1,064,840
Net Position Beginning of Year	7,571,590	8,180,434	(608,844)
<b>Net Position End of Year</b>	<b>\$8,027,586</b>	<b>\$7,571,590</b>	<b>\$455,996</b>

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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***Governmental Activities***

Property taxes comprise approximately 49 percent of revenues for the School District in fiscal year 2013. Program revenue operating grants increased \$200,762 from the prior year primarily due to increased Title I funding. Capital grants and contributions increased \$170,470 from the prior year primarily due to the donation of assets related to the Elementary School Playground Project.

Instruction comprises approximately 60 percent of governmental program expenses, and reflected a slight increase of \$12,301 from fiscal year 2012. Overall, program expenses of the School District decreased \$55,919. The decrease is primarily due to the School District's continued attempts to monitor spending, resulting in instructional expenses remaining consistent, coupled with an overall decrease in support services.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2013 compared to fiscal year 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
<b>Instruction:</b>				
Regular	\$7,680,158	\$7,753,584	\$5,836,166	\$6,391,251
Special	1,650,894	1,563,757	1,350,245	1,255,261
Vocational	24,245	25,655	17,836	19,246
<b>Support Services</b>				
Pupil	752,453	892,754	752,453	832,882
Instructional Staff	234,050	469,062	57,785	320,344
Board of Education	19,722	20,033	19,722	20,033
Administration	872,982	844,365	868,530	789,020
Fiscal	549,148	508,427	433,353	401,637
Operation and Maintenance of Plant	1,274,063	1,217,445	1,109,389	1,216,345
Pupil Transportation	717,356	681,530	717,356	681,171
Central	262,949	259,668	258,626	249,351
Operation of Non-Instructional Services	279,687	189,053	49,086	53
Food Service Operations	283,340	309,954	42,730	4,253
Extracurricular Activities	803,394	701,727	428,164	346,037
Interest and Fiscal Charges	180,827	204,173	180,827	204,173
<b>Total Expenses</b>	<b>\$15,585,268</b>	<b>\$15,641,187</b>	<b>\$12,122,268</b>	<b>\$12,731,057</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Approximately 78 percent of program expenses are supported through taxes and other general revenues.

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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## The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. The School District has three major funds, the General Fund, the Debt Service Fund, and the Schoolwide Pool Special Revenue Fund. The General Fund had \$13,097,648 in revenues and \$11,578,071 in expenditures. Including other financing sources and uses, the General Fund's balance decreased \$121,753. The Debt Service Fund had revenues in the amount of \$1,098,047 and expenditures in the amount of \$998,817, which resulted in a fund balance increase in the amount of \$99,230. The Schoolwide Pool Fund had \$372,636 in revenues and \$2,079,322 in expenditures. Including other financing sources, the Schoolwide Pool had no change in fund balance.

## 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 2013, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and the final budget reflected an increase in intergovernmental revenue and tuition and fees, which were offset by a decrease in property tax revenue estimates. Changes between the original and the final budget also reflect a decrease in instructional costs that were offset by increases in support services and debt service payments. The actual results of operations were different than budgeted amounts as less intergovernmental revenue and less tuition and fees were realized; spending in all categories was lower than budgeted appropriations.

## *Capital Assets and Debt Administration*

### Capital Assets

At the end of fiscal 2013, the School District had \$8,889,436 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles, net of depreciation. Table 5 shows fiscal 2013 balances compared to 2012:

Table 4  
Capital Assets Net of Depreciation  
Government Activities

	2013	2012
Land	\$700,855	\$700,855
Construction in Progress	290,820	0
Land Improvements	1,256,296	1,152,531
Buildings and Improvements	5,799,451	6,078,067
Furniture, Fixtures, and Equipment	644,618	664,882
Vehicles	197,396	250,451
Totals	<u>\$8,889,436</u>	<u>\$8,846,786</u>

For more information on capital assets see Note 10 to the basic financial statements.

**St. Clairsville-Richland City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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## **Debt**

At June 30, 2013, the School District had \$1,126,122 outstanding in energy conservation loans and general obligation bonds, including premiums, accretion of interest with \$985,874 due within one year. The School District also had \$97,575 outstanding in capital leases with \$30,894 due within one year.

Table 5 summarizes bonds, notes and capital leases outstanding:

Table 5  
Outstanding Debt at Year End  
Government Activities

	2013	2012
2002 School Improvement and Construction		
General Obligation Bonds		
Serial Bonds	\$0	\$955,000
Bond Premium	19,554	39,108
Bond Discount	0	(1,824)
Capital Appreciation Bonds	119,111	119,111
Capital Appreciation Bond Accretion of Interest	843,892	680,225
2005 Energy Conservation Loan	143,565	167,232
Capital Leases	97,575	55,884
Total	<u>\$1,223,697</u>	<u>\$2,014,736</u>

See Note 18 for more detailed information on the School District's debt.

## **Economic Factors**

As the preceding information indicates, the School District depends more heavily on local property taxpayers than on state funding.

The School District passed a 2.75 mill continuing operating levy on May 7, 2013, effective for tax year 2013. First collections of the new levy funds will begin with the first real estate tax settlement in calendar year 2014. The new levy moves the School District above the 20 mill floor; as a result, future reappraisals will not result in increased revenue except on inside millage. Based on the current State biennium budget, State foundation revenues are not expected to increase. Therefore, revenue increases outside of the new levy are relatively low.

The Board of Education and the Administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

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

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

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

*Statement of Net Position*

June 30, 2013

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,521,088
Intergovernmental Receivable	457,416
Prepaid Items	3,360
Materials and Supplies Inventory	18,463
Property Taxes Receivable	8,554,452
Cash and Cash Equivalents with Fiscal Agents	157,571
Non-Depreciable Capital Assets	991,675
Depreciable Capital Assets, Net	<u>7,897,761</u>
<i>Total Assets</i>	<u>19,601,786</u>
<b>Liabilities</b>	
Accounts Payable	103,414
Contracts Payable	290,820
Accrued Wages and Benefits Payable	1,193,791
Intergovernmental Payable	330,933
Matured Severance Payable	28,547
Accrued Interest Payable	1,515
Retirement Incentive Payable	10,000
Claims Payable	4,967
Long-Term Liabilities:	
Due Within One Year	1,098,463
Due In More Than One Year	<u>765,204</u>
<i>Total Liabilities</i>	<u>3,827,654</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes not Levied to Finance Current Year Operations	<u>7,746,546</u>
<b>Net Position (Deficit)</b>	
Net Investment in Capital Assets	8,238,365
Restricted for:	
Capital Projects	37,311
Debt Service	736,610
State Programs	18,354
Federal Programs	104,449
Other Purposes	157,637
Unrestricted	<u>(1,265,140)</u>
<i>Total Net Position</i>	<u>\$8,027,586</u>

See accompanying notes to the basic financial statements

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

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2013*

<b>Governmental Activities</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Instruction:					
Regular	\$7,680,158	\$1,495,986	\$348,006	\$0	(\$5,836,166)
Special	1,650,894	0	300,649	0	(1,350,245)
Vocational	24,245	0	6,409	0	(17,836)
Support Services:					
Pupil	752,453	0	0	0	(752,453)
Instructional Staff	234,050	0	176,265	0	(57,785)
Board of Education	19,722	0	0	0	(19,722)
Administration	872,982	1,800	2,652	0	(868,530)
Fiscal	549,148	0	115,795	0	(433,353)
Operation and Maintenance of Plant	1,274,063	1,200	0	163,474	(1,109,389)
Pupil Transportation	717,356	0	0	0	(717,356)
Central	262,949	0	4,323	0	(258,626)
Operation of Non-Instructional Services	279,687	0	230,601	0	(49,086)
Food Service Operations	283,340	58,134	175,480	6,996	(42,730)
Extracurricular Activities	803,394	375,230	0		(428,164)
Interest and Fiscal Charges	180,827	0	0	0	(180,827)
<i>Total Governmental Activities</i>	<b>\$15,585,268</b>	<b>\$1,932,350</b>	<b>\$1,360,180</b>	<b>\$170,470</b>	<b>(12,122,268)</b>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					6,863,432
Property Taxes Levied for Debt Service					956,068
Grants and Entitlements not Restricted to Specific Programs					4,545,674
Gifts and Donations					106,659
Investment Earnings					1,587
Miscellaneous					104,844
<i>Total General Revenues</i>					<b>12,578,264</b>
Change in Net Position					455,996
<i>Net Position Beginning of Year</i>					<b>7,571,590</b>
<i>Net Position End of Year</i>					<b>\$8,027,586</b>

See accompanying notes to the basic financial statements

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

*Balance Sheet*

*Governmental Funds*

*June 30, 2013*

	General	Debt Service	Schoolwide Pool	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$279,092	\$660,688	\$0	\$570,308	\$1,510,088
Cash and Cash Equivalents with Fiscal Agents	157,571	0	0	0	157,571
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	11,000	0	0	0	11,000
Receivables:					
Property Taxes	8,099,989	454,463	0	0	8,554,452
Intergovernmental	227,729	0	0	229,687	457,416
Interfund	419,715	0	349,185	0	768,900
Prepaid Items	3,360	0	0	0	3,360
Materials and Supplies Inventory	17,136	0	0	1,327	18,463
<i>Total Assets</i>	<u>\$9,215,592</u>	<u>\$1,115,151</u>	<u>\$349,185</u>	<u>\$801,322</u>	<u>\$11,481,250</u>
<b>Liabilities</b>					
Accounts Payable	\$40,276	\$0	\$0	\$63,138	\$103,414
Contracts Payable	0	0	0	290,820	290,820
Accrued Wages and Benefits	860,365	0	285,976	47,450	1,193,791
Claims Payable	4,967	0	0	0	4,967
Matured Severance Payable	28,547	0	0	0	28,547
Retirement Incentive Payable	10,000	0	0	0	10,000
Interfund Payable	295,218	0	21,694	451,988	768,900
Intergovernmental Payable	258,889	0	41,515	30,529	330,933
<i>Total Liabilities</i>	<u>1,498,262</u>	<u>0</u>	<u>349,185</u>	<u>883,925</u>	<u>2,731,372</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes not Levied to Finance Current Year Operations	7,389,074	357,472	0	0	7,746,546
Unavailable Revenue	489,754	41,282	0	105,433	636,469
<i>Total Deferred Inflows of Resources</i>	<u>7,878,828</u>	<u>398,754</u>	<u>0</u>	<u>105,433</u>	<u>8,383,015</u>
<b>Fund Balances (Deficit)</b>					
Nonspendable:					
Inventories	17,136	0	0	1,327	18,463
Prepaid Items	3,360	0	0	0	3,360
Restricted for:					
Capital Outlay	0	0	0	25,164	25,164
Debt Service	0	716,397	0	0	716,397
State Programs	0	0	0	17,370	17,370
Underground Storage Tank Premium	11,000	0	0	0	11,000
Other Purposes	0	0	0	146,637	146,637
Unassigned	(192,994)	0	0	(378,534)	(571,528)
<i>Total Fund Balances (Deficit)</i>	<u>(161,498)</u>	<u>716,397</u>	<u>0</u>	<u>(188,036)</u>	<u>366,863</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u><u>\$9,215,592</u></u>	<u><u>\$1,115,151</u></u>	<u><u>\$349,185</u></u>	<u><u>\$801,322</u></u>	<u><u>\$11,481,250</u></u>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities*  
*June 30, 2013*

<b>Total Governmental Fund Balances</b>	\$366,863
<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,889,436
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds:	
Intergovernmental	105,433
Property Taxes	343,934
Tuition and Fees	<u>187,102</u>
Total	636,469
Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bond Premium	19,554
General Obligation Capital Appreciation Bonds	119,111
Capital Appreciation Bond Interest Accretion	843,892
Energy Conservation Loan	143,565
Capital Leases	97,575
Compensated Absences	639,970
Accrued Interest Payable	<u>1,515</u>
Total	<u>(1,865,182)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$8,027,586</u></u>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Debt Service	Schoolwide Pool	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$6,994,652	\$981,939	\$0	\$0	\$7,976,591
Intergovernmental	4,552,083	115,795	372,636	792,925	5,833,439
Interest	1,240	313	0	34	1,587
Tuition and Fees	1,357,971	0	0	0	1,357,971
Extracurricular Activities	0	0	0	375,230	375,230
Rent	250	0	0	3,000	3,250
Gifts and Donations	11,092	0	0	95,567	106,659
Charges for Services	102,187	0	0	58,134	160,321
Miscellaneous	78,173	0	0	26,671	104,844
<i>Total Revenues</i>	<i>13,097,648</i>	<i>1,098,047</i>	<i>372,636</i>	<i>1,351,561</i>	<i>15,919,892</i>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	5,741,888	0	1,883,782	8,437	7,634,107
Special	1,209,576	0	187,492	218,507	1,615,575
Vocational	6,809	0	0	0	6,809
Support Services:					
Pupil	746,283	0	0	0	746,283
Instructional Staff	64,316	0	38	159,889	224,243
Board of Education	16,936	0	0	0	16,936
Administration	813,125	0	8,010	3,348	824,483
Fiscal	507,738	24,001	0	0	531,739
Operation and Maintenance of Plant	1,134,765	0	0	11,254	1,146,019
Pupil Transportation	655,270	0	0	0	655,270
Central	253,933	0	0	5,400	259,333
Operation of Non-Instructional Services	0	0	0	277,806	277,806
Food Service Operations	0	0	0	264,787	264,787
Extracurricular Activities	299,421	0	0	467,809	767,230
Capital Outlay	65,356	0	0	290,820	356,176
Debt Service:					
Principal Retirement	47,332	955,000	0	0	1,002,332
Interest and Fiscal Charges	15,323	19,816	0	0	35,139
<i>Total Expenditures</i>	<i>11,578,071</i>	<i>998,817</i>	<i>2,079,322</i>	<i>1,708,057</i>	<i>16,364,267</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>1,519,577</i>	<i>99,230</i>	<i>(1,706,686)</i>	<i>(356,496)</i>	<i>(444,375)</i>
<b>Other Financing Sources (Uses)</b>					
Inception of Capital Lease	65,356	0	0	0	65,356
Transfers In	0	0	1,706,686	0	1,706,686
Transfers Out	(1,706,686)	0	0	0	(1,706,686)
<i>Total Other Financing Sources (Uses)</i>	<i>(1,641,330)</i>	<i>0</i>	<i>1,706,686</i>	<i>0</i>	<i>65,356</i>
<i>Net Change in Fund Balances</i>	<i>(121,753)</i>	<i>99,230</i>	<i>0</i>	<i>(356,496)</i>	<i>(379,019)</i>
<i>Fund Balances (Deficit) Beginning of Year</i>	<i>(39,745)</i>	<i>617,167</i>	<i>0</i>	<i>168,460</i>	<i>745,882</i>
<i>Fund Balances (Deficit) End of Year</i>	<i>(\$161,498)</i>	<i>\$716,397</i>	<i>\$0</i>	<i>(\$188,036)</i>	<i>\$366,863</i>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

**Net Change in Fund Balances - Total Governmental Funds** (\$379,019)

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

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

Capital Assets Additions	377,081
Depreciation	<u>(497,905)</u>
Total	(120,824)

Capital Contributions of assets that are not reported in the funds but are additions to capital assets on the entity-wide statements 163,474

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

Intergovernmental	79,411
Property Taxes	<u>(157,091)</u>
Tuition and Fees	<u>35,578</u>
Total	(42,102)

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

General Obligation Bonds	955,000
Energy Conservation Loan	<u>23,667</u>
Capital Leases	<u>23,665</u>
Total	1,002,332

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	249
Accretion on Capital Appreciation Bonds	<u>(163,667)</u>
Total	(163,418)

Bond premiums are reported as other financing sources in the government funds, but are allocated as an expense over the life of the bonds on the statement of activities. 19,554

Bond Discounts are reported as other financing uses in government funds, but are allocated as an expense over the life of the bonds. (1,824)

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities on the statement of activities. (65,356)

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

Compensated Absences	<u>43,179</u>
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*Changes in Net Position of Governmental Activities* \$455,996

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$7,024,000	\$6,878,000	\$6,878,762	\$762
Intergovernmental	4,064,950	4,561,400	4,511,456	(49,944)
Interest	450	500	1,240	740
Tuition and Fees	1,223,570	1,380,100	1,357,971	(22,129)
Rent	0	0	250	250
Gifts and Donations	9,990	9,000	11,092	2,092
Charges for Services	93,840	110,000	102,187	(7,813)
Miscellaneous	28,700	63,500	78,173	14,673
<i>Total Revenues</i>	<i>12,445,500</i>	<i>13,002,500</i>	<i>12,941,131</i>	<i>(61,369)</i>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,770,637	6,245,128	6,201,661	43,467
Special	764,912	1,317,757	1,263,288	54,469
Vocational	3,040	9,095	6,809	2,286
Support Services:				
Pupil	464,908	823,423	762,459	60,964
Instructional Staff	48,629	108,140	90,594	17,546
Board of Education	10,068	19,104	16,940	2,164
Administration	519,271	859,381	825,929	33,452
Fiscal	326,177	525,046	519,963	5,083
Operation and Maintenance of Plant	824,323	1,343,367	1,279,445	63,922
Pupil Transportation	400,816	651,416	641,537	9,879
Central	251,732	290,900	250,981	39,919
Extracurricular Activities	187,589	324,558	310,580	13,978
Debt Service:				
Principal Retirement	0	823,674	823,667	7
Interest and Fiscal Charges	0	10,280	10,199	81
<i>Total Expenditures</i>	<i>13,572,102</i>	<i>13,351,269</i>	<i>13,004,052</i>	<i>347,217</i>
Excess of Revenues Under Expenditures	(1,126,602)	(348,769)	(62,921)	285,848
<b>Other Financing Sources (Uses)</b>				
Tax Anticipation Note Issued	0	800,000	800,000	0
Advances In	0	143,000	76,160	(66,840)
Advances Out		(196,219)	(419,715)	(223,496)
Transfers Out	0	(1,524,616)	(1,411,468)	113,148
<i>Total Other Financing Sources (Uses)</i>	<i>0</i>	<i>(777,835)</i>	<i>(955,023)</i>	<i>(177,188)</i>
<i>Net Change in Fund Balance</i>	<i>(1,126,602)</i>	<i>(1,126,604)</i>	<i>(1,017,944)</i>	<i>108,660</i>
<i>Fund Balance Beginning of Year</i>	<i>1,022,849</i>	<i>1,022,849</i>	<i>1,022,849</i>	<i>0</i>
Prior Year Encumbrances Appropriated	204,102	204,102	204,102	0
<i>Fund Balance End of Year</i>	<i>\$100,349</i>	<i>\$100,347</i>	<i>\$209,007</i>	<i>\$108,660</i>

See accompanying notes to the basic financial statements

**St. Clairsville-Richland City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Schoolwide Pool Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
<i>Total Revenues</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,000,000	1,897,450	1,586,915	310,535
Special	0	157,000	156,868	132
Support Services:				
Instructional Staff	0	40	38	2
Administration	<u>0</u>	<u>8,010</u>	<u>8,010</u>	<u>0</u>
<i>Total Expenditures</i>	<u>2,000,000</u>	<u>2,062,500</u>	<u>1,751,831</u>	<u>310,669</u>
Excess of Revenues Under Expenditures	<u>(2,000,000)</u>	<u>(2,062,500)</u>	<u>(1,751,831)</u>	<u>310,669</u>
<b>Other Financing Sources</b>				
Advances In	0	62,500	21,694	(40,806)
Transfers In	<u>500,000</u>	<u>2,000,000</u>	<u>1,730,137</u>	<u>(269,863)</u>
Total Other Financing Sources	<u>500,000</u>	<u>2,062,500</u>	<u>1,751,831</u>	<u>(310,669)</u>
<i>Net Change in Fund Balance</i>	<u>(1,500,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>(\$1,500,000)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2013*

	Private Purpose Trust Fund	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$364	\$33,004
Investments	<u>9,852</u>	<u>0</u>
<i>Total Assets</i>	<u>10,216</u>	<u>\$33,004</u>
<b>Liabilities</b>		
Undistributed Monies	0	\$2,690
Due to Students	<u>0</u>	<u>30,314</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$33,004</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>10,216</u>	
<i>Total Net Position</i>	<u><u>\$10,216</u></u>	

See accompanying notes to the basic financial statements

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

*Statement of Changes in Net Position*

*Fiduciary Fund*

*For the Fiscal Year Ended June 30, 2013*

	Private Purpose Trust Fund
<b>Additions</b>	
Interest	<u>\$193</u>
<b>Deductions</b>	
Scholarships Awarded	<u>500</u>
<i>Change in Net Position</i>	<i>(307)</i>
<i>Net Position Beginning of Year</i>	<u>10,523</u>
<i>Net Position End of Year</i>	<u><u>\$10,216</u></u>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

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

The St. Clairsville-Richland City School District (the School District) is a body politic and corporate established for the purpose of exercising rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by state and federal agencies. The Board controls the School District's five instructional/support facilities staffed by 45 noncertificated, 101 certificated teaching personnel, and 8 administrators who provide services to 1,701 students and other community members.

On February 23, 2004, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the five year forecast. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education designed to avoid a potential deficit in fiscal years 2004 and 2005. The proposal was submitted by the School District on April 23, 2004 and accepted by the Ohio Department of Education on May 12, 2004.

#### **Reporting Entity**

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

**Nonpublic Schools** Within the School District boundaries, St. Mary's School is operated through the Catholic Diocese and East Richland Christian Schools is operated through the Friends Church. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the School District on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported as a governmental activity of the School District.

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Educational Regional Service System Region 12 (ERSS), the Coalition of Rural and Appalachian Schools (CORAS), and the Belmont-Harrison Vocational School District, which are jointly governed organizations, the Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Rating Program (GRP), the Ohio School Benefits Cooperative (OSBC), which are defined as insurance purchasing pools, and the Jefferson Health Plan Self-Insurance Plan, formerly known as the Ohio-Mid Eastern Regional Educational Service Agency Self-Insurance Plan which is defined as a risk sharing, claims servicing, and insurance purchasing pool. The School District is associated with the St. Clairsville Public Library which is defined as a related organization. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

#### **A. Basis of Presentation**

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

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

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

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### **B. Fund Accounting**

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

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

**General Fund** The General Fund accounts for and reports 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 and transferred according to the general laws of Ohio.

**Schoolwide Pool Fund** The Schoolwide Pool Fund is used to account for all financial resources required to operate the elementary school. The No Child Left Behind Act of 2001 provided the authority to pool all federal state and local funds necessary to upgrade the instructional program of school buildings where forty percent or greater of the student are from low-income families. The fund is utilized to pay all costs associated with operating the elementary school.

**Debt Service Fund** The Debt Service Fund accounts for and reports property tax revenues restricted for the payment of, general long-term debt principal and interest.

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

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

### **C. Measurement Focus**

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

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

### **D. Basis of Accounting**

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Deferred Outflows/Inflows of Resources** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, no deferred outflows of resources are reported.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

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

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

The School District has cash with a fiscal agent held separate from the School District's central bank account. This account is maintained by the School District's self-insurance third party administrator and is presented in the Statement of Net Position as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposit, and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value. Fair value is based on quoted market price or current share price.

The School District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2013. 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 net asset value per share which is the price the investment could be sold at June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the fund to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$1,240, which includes \$509 assigned from other School District funds.

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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### **F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash restricted for insurance premiums related to the underground storage tank.

### **G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### **H. Inventory**

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

### **I. Capital Assets**

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

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

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

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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### **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 Position.

### **K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year service.

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

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

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

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

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

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

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

On the government-wide financial statements, bond insurance premiums, bond premiums and bond discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. On the governmental fund financial statements bond insurance premiums, bond premiums, bond discounts and bond issuance costs are recognized in the period in which the bonds are issued.

Bond issuance costs are expensed in the funds in the period the bonds are issued.

### **N. Interfund Activity**

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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

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

### **O. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District resolutions).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Board of Education to assign fund balances for purchases on order provided such amounts have been lawfully appropriated.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### **P. Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation enacted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources from local sources restricted to expenditures for student programs and underground storage tank deductibles.

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

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

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

### **R. Estimates**

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

### **S. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "The Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," and Statement No. 66 "Technical Corrections-2012 an amendment of GASB Statements No. 10 and No. 62."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 4 - FUND DEFICIT**

At June 30, 2013, the following fund had a deficit fund balance:

	Deficit Fund Balance
Permanent Improvement Fund	<u>\$278,673</u>

The deficit in the Permanent Improvement Capital Projects Fund was created by the application of generally accepted accounting principles. The Permanent Improvement Fund generally receives transfers from the General Fund when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or unassigned fund balance (GAAP basis).
4. Transfers in and transfers out that are balance sheet transactions (GAAP) as opposed to operating transfers (Budget), as well as the reclassification of revenue that is required to be transferred on a cash (budget basis), but is reported as revenue on the operating statement (GAAP basis).
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
6. Proceeds from and the principal payments on short-term note and loan obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
7. Inception of Capital Lease is a non-cash transaction which is reported on the GAAP operating statement, and not on the budgetary basis statements.

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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	Net Change in Fund Balance	
	General	Schoolwide Pool
GAAP Basis	(\$121,753)	\$0
Revenue Accruals	(221,873)	(372,636)
Advances In	76,160	21,694
Transfers In	0	23,451
Tax Anticipation Note Proceeds	800,000	0
Inception of Capital Lease	(65,356)	0
Expenditure Accruals	(321,969)	327,491
Advances Out	(419,715)	0
Transfers Out	295,218	0
Debt Service - Principal	(800,000)	0
Encumbrances	(238,656)	0
Budget Basis	<u><u>(\$1,017,944)</u></u>	<u><u>\$0</u></u>

**NOTE 6 - 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;  
Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
2. Written repurchase agreements in the securities listed above;
3. Bonds and other obligations of the State of Ohio;

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2013, the School District's General Fund had a balance of \$157,571 with Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool (see Note 20). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

### Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the School District's bank balance was \$910,877. Of the bank balance, \$360,172 was covered by Federal depository insurance and the remaining balance of \$550,705 was covered by pledged collateral with securities held by the pledging financial institution's trust department or agent. Although the securities were held by the pledging financial institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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, 2013, the School District had an investment in STAR Ohio. The fair value of the STAR Ohio investment was \$694,596, and the investment has an average maturity of 57.5 days.

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

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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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.

### **NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State Statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes not levied to finance current year operations.

The amount available as an advance at June 30, 2013, was \$408,263 in the General Fund and \$55,709 in the Debt Service Fund. The amount available as an advance at June 30, 2012, was \$292,373 in the General Fund and \$45,576 in the Debt Service Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**St. Clairsville-Richland City School District***Notes to the Basic Financial Statements**For the Fiscal Year Ended June 30, 2013*

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second -		2013 First -	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$337,138,570	96.87%	\$360,076,780	96.90%
Public Utility Personal	10,906,740	3.13%	11,531,500	3.10%
Total	<u>\$348,045,310</u>	<u>100.00%</u>	<u>\$371,608,280</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.75		\$33.55	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2013, consisted of property taxes, interfund, intergovernmental grants, and Bureau of Workers' Compensation rebates. 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 \$343,934 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:

	Amounts
<b>Governmental Activities:</b>	
Excess Cost Reimbursement from Other School Districts	\$187,102
Bureau of Workers Compensation Rebate	43,506
Alternative Education Challenge Grant	1,228
IDEA - Part B Grant	125,894
Early Childhood Special Education	2,179
Title II-A Grant	13,918
Title I Grant	76,593
School Lunch Enhancement Grant	6,996
Total	<u><u>\$457,416</u></u>

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 9 - INTERNAL BALANCES**

**A. Interfund Balances**

Interfund balances at June 30, 2013, consist of the following interfund receivables and payables:

Interfund Payable	Interfund Receivable		
	General Fund	Schoolwide Pool Fund	Total
General Fund	\$0	\$295,218	\$295,218
Schoolwide Pool Fund	21,694	0	21,694
Other Nonmajor Governmental Funds	398,021	53,967	451,988
Total	<u>\$419,715</u>	<u>\$349,185</u>	<u>\$768,900</u>

The balance due to the Schoolwide Pool Fund from the General and Other Governmental Funds are for costs associated with the operation of the elementary school in accordance with the schoolwide program that will be transferred as cash is needed to fund the program. The loans made to the Schoolwide Pool Fund, Miscellaneous State Grants, Miscellaneous Federal Grants and Title I Special Revenue Funds were made to support the programs until state, federal and other monies are received. The loan made to the Food Service Special Revenue fund was made to cover operating costs due to insufficient user charges. The loan made to the Permanent Improvement Capital Projects fund was made for initial costs related to a roof replacement project at the elementary school building, until financing for the project could be obtained. See Contractual Commitment Note 15 and Subsequent Event Note 24 for more information regarding the roof project.

**B. Transfers**

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following:

Transfer to	Transfer from
Schoolwide Pool Fund	<u>General Fund</u> <u>\$1,706,686</u>

Transfers were used to move receipts from the General Fund to the Schoolwide Pool Fund in accordance with the schoolwide building program.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Government Activities:</b>				
Non Depreciable Assets:				
Land	\$700,855	\$0	\$0	\$700,855
Construction in Progress	0	290,820	0	290,820
Total Non Depreciable Assets	<u>700,855</u>	<u>290,820</u>	<u>0</u>	<u>991,675</u>
Depreciable Assets:				
Land Improvements	1,211,992	163,474	0	1,375,466
Buildings and Improvements	12,187,197	0	0	12,187,197
Furniture, Fixtures, and Equipment	1,750,254	86,261	(7,046)	1,829,469
Vehicles	<u>1,025,679</u>	<u>0</u>	<u>0</u>	<u>1,025,679</u>
Total Depreciable Capital Assets	<u>16,175,122</u>	<u>249,735</u>	<u>(7,046)</u>	<u>16,417,811</u>
Less Accumulated Depreciation:				
Land Improvements	(59,461)	(59,709)	0	(119,170)
Buildings and Improvements	(6,109,130)	(278,616)	0	(6,387,746)
Furniture, Fixtures, and Equipment	(1,085,372)	(106,525)	7,046	(1,184,851)
Vehicles	<u>(775,228)</u>	<u>(53,055)</u>	<u>0</u>	<u>(828,283)</u>
Total	<u>(8,029,191)</u>	<u>(497,905)</u>	<u>7,046</u>	<u>(8,520,050)</u>
Depreciable Capital Assets, Net	<u>8,145,931</u>	<u>(248,170)</u>	<u>0</u>	<u>7,897,761</u>
Governmental Activities Capital Assets, Net	<u>\$8,846,786</u>	<u>\$42,650</u>	<u>\$0</u>	<u>\$8,889,436</u>

Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$183,594
Special	36,365
Vocational	17,436
Support Services:	
Pupils	8,358
Instructional Staff	22,289
Board of Education	2,786
Administration	22,737
Fiscal	5,572
Operation and Maintenance of Plant	111,747
Pupil Transportation	54,473
Central	1,816
Food Service Operations	18,553
Operation of Non-Instructional Services	1,881
Extracurricular Activities	10,298
Total	<u>\$497,905</u>

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with Ohio Casualty Insurance Company for property and inland marine coverage, and for fleet insurance and liability insurance. The Ohio Casualty Insurance Coverage is provided by Pilney-Foster Insurance Agency of Ohio is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$47,839,961
<i>Automotive Liability:</i>	
Bodily Injury and Property Damage	1,000,000
Uninsured Motorist (\$1,000 deductible)	1,000,000
<i>Educational General Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	2,000,000
Personal and Advertising Injury Limit - Each Occurrence	1,000,000
<i>Sexual Misconduct Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	1,000,000
<i>School Leaders Errors and Omissions Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	1,000,000
<i>Employee Benefits Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	3,000,000
<i>Employer's Liability:</i>	
Each Occurrence	1,000,000
Aggregated Limit	2,000,000

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

The School District participates in the Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). 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 members is calculated as one experience and a common premium rate is applied to all members 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 members that can meet the GRP's selection criteria. The firm of Sheakley provides administrative, cost control, and actuarial services to the GRP.

The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk-sharing, claims servicing and insurance purchasing pool through which dental coverage is provided to employees. Of the total monthly premiums of \$60.99, \$55.81 is paid by the Board, and \$5.18 is paid by the employees to the fiscal agent who in turn pays the claims on the School District's behalf. All employees are offered dental coverage through the self-insured program. The School District reports the program in the General Fund.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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The claims liability of \$4,967 reported in the General Fund at June 30, 2013, 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:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2012	\$6,028	\$74,411	\$74,612	\$5,827
2013	5,827	66,629	67,489	4,967

### **NOTE 12 - EMPLOYEE BENEFITS**

#### **A. Compensated Absences**

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

#### **B. Other Insurance**

In addition to the dental self-insured coverage offered, the School District offers all employees medical/surgical and prescription drug insurance coverage. All employees are offered medical/surgical and prescription drug insurance coverage through Medical Mutual as part of the School District's enrollment in a joint insurance purchasing program offered by the Ohio School Benefits Cooperative, an insurance purchasing pool (see Note 20) . The monthly premium is \$1,328.65 for a family plan and \$564.55 for a single plan. The Board of Education pays approximately 91.5 percent of the premiums. The School District also provides life insurance and accidental death and dismemberment insurance to all employees from Met Life Insurance Company in an amount of \$20,000 per employee. The Board pays 100 percent of the monthly premiums of \$2.90 for this coverage.

#### **C. Retirement Incentive**

For fiscal year 2013, the School District offered a retirement incentive, in the amount of \$10,000, to any teacher, otherwise eligible for retirement through STRS, who by June 30, 2013, will have 30 years of service, and who, by April 15, 2013, submitted a letter of retirement to the Board, through the Treasurer, to be effective June 30, 2013. At June 30, 2013, there was a \$10,000 liability for this benefit.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **NOTE 13 - DEFINED BENEFIT PENSION PLANS**

#### **A. School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$199,244, \$200,942, and \$167,496, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

#### **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 system. 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 can 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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, the portion used to fund pension obligations was also 13 percent.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$765,632 and \$14,806 for the fiscal year ended June 30, 2013, \$778,743 and \$14,353 for the fiscal year ended June 30, 2012, and \$875,439 and \$14,054 for the fiscal year ended June 30, 2011. For fiscal year 2013, 81.3 percent has been contributed for the DB plan and 81.3 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2013 were \$24,229 made by the School District and \$17,306 made by the plan members. In addition, member contributions of \$10,576 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

### **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 Employees Retirement System. As of June 30, 2013, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

## **NOTE 14 - POSTEMPLOYMENT BENEFITS**

### **A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated 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, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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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 105(e). For fiscal year 2013, 0.16 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 fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$22,656 in surcharge.

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, 2013, 2012, and 2011 were \$2,443, \$8,702, and \$22,711, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$11,298, \$11,867, and \$12,070 respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

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

Plan Description – The School District participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$60,753, \$65,591, and \$65,792 respectively. For fiscal year 2013, 81.3 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 15 - CONTRACTUAL COMMITMENTS**

On May 15, 2013, the School District entered into an agreement with Hicks Roofing Inc., in the amount of \$623,240 for completion of a roof replacement project as part of the Elementary School Building Project. Funding for the total project consists of an initial interfund loan from the General Fund to the Permanent Improvement fund, as well as a \$1,400,000 lease agreement. See Subsequent Event Note 24 for more information. As of June 30, 2013 the School District had the following contractual commitment:

<u>Contractor</u>	<u>Purchase Commitment</u>	<u>Amount Paid as of 6/30/13</u>	<u>Amount Remaining on Contract</u>
Hicks Roofing, Inc.	<u>\$623,240</u>	<u>\$290,820</u>	<u>\$332,420</u>

**NOTE 16 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2013, and in prior fiscal years, the School District has entered into capitalized leases for wireless network equipment, and copying equipment. Capital lease payments are reflected as debt service expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$153,507, which is equal to the present value of the minimum lease payments. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities capitalized leases are reported net of accumulated depreciation in the amount of \$89,389. Principal payments in fiscal year 2013 totaled \$23,665, in the governmental funds.

Future minimum lease payments through fiscal year 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$30,894	\$5,099
2015	23,893	3,015
2016	20,637	1,728
2017	15,059	676
2018	<u>7,092</u>	<u>111</u>
Totals	<u>\$97,575</u>	<u>\$10,629</u>

**NOTE 17 - TAX ANTICIPATION NOTE**

On December 20, 2012, the School District issued an \$800,000 tax anticipation note for operations. The note was issued with a 2 percent interest rate. The note was issued in anticipation of tax receipts and was backed by the full faith and credit of the School District. The note was fully repaid on April 1, 2013.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**NOTE 18 - LONG TERM OBLIGATIONS**

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

	Outstanding 6/30/12	Additions	Reductions	Amounts	
				Outstanding 6/30/12	Due Within One Year
<b><u>Governmental Activities:</u></b>					
2002 School Improvement and Construction					
General Obligation Bonds - \$7,944,111					
Serial Bonds - \$7,825,000 @ 1.95%-4.15%	\$955,000	\$0	\$955,000	\$0	\$0
Premium - \$483,132	39,108	0	19,554	19,554	0
Discount - \$30,124	(1,824)	1,824	0	0	0
Capital Appreciation Bond - \$119,111 @ 4.77%	119,111	0	0	119,111	119,111
Accretion of Interest - \$920,889 @ 19.6%	680,225	163,667	0	843,892	843,892
Total General Obligation Bonds	1,791,620	165,491	974,554	982,557	963,003
2005 Energy Conservation					
Loan - \$325,000 @ 4.05-6.00%	167,232	0	23,667	143,565	22,871
Capital Leases	55,884	65,356	23,665	97,575	30,894
Compensated Absences Payable	683,149	120,509	163,688	639,970	81,695
Total Governmental Activities	\$2,697,885	\$351,356	\$1,185,574	\$1,863,667	\$1,098,463

*2002 School Improvement and Construction General Obligation Bonds* - On April 15, 2002 the School District issued \$7,944,111 in general obligation school facilities construction and improvement bonds to retire bond anticipation notes that had been issued for construction and improvement of School District facilities. The School District received \$8,407,772 in proceeds, which included a \$483,132 premium on the capital appreciation bonds and \$10,653 in accrued interest. The serial bonds were issued at a \$30,124 discount. The bond premium and discount will be amortized over the life of the issue. The fiscal year 2013 amortization of the premium and discount were \$19,554 and \$1,824, respectively. The bond issue consists of serial bonds and a capital appreciation bond. The bonds were issued for an eleven year period with a final maturity at December 1, 2012 and the bonds have varying interest rates ranging from 1.95 percent to 4.15 percent. The general obligation bonds will be retired with the proceeds of a 2.94 mill property tax levy approved in May 2001. The principal and interest payments will be recorded in the Debt Service Fund. The bonds are not subject to redemption prior to stated maturity.

The capital appreciation bonds were sold at a discount of \$920,889, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is December 1, 2013. At maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$1,040,000. The accretion recorded for fiscal year 2013 is \$163,667 for a total bond liability of \$963,003. The accretion will continue to be recorded over the life of the bonds.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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

Fiscal Year		Accretion/		
Ending June 30	Principal	Interest	Total	
2014	\$119,111	\$920,889	\$1,040,000	

*Energy Conservation Loan* – On August 24, 2004, the School District issued a fifteen year \$325,000 note at a variable rate of interest. The initial interest rate through the first five years of the loan was 4.05 percent. The interest rate for the remaining ten years of the loan is a variable rate based upon the weekly average rate for U.S. Treasury Securities adjusted to a “five year Treasury Rate” plus 2.25 percent multiplied by seventy-five percent per year. The rate is adjusted every five years and shall not exceed six percent and each adjustment shall not exceed one and one-quarter percent. After the initial rate adjustment on August 24, 2009, the current interest rate is 3.43 percent. The note was backed by the full faith and credit of the School District. The repayments are to be made from utility savings in the General Fund.

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

Fiscal Year				
Ending June 30	Principal	Interest	Total	
2014	\$22,871	\$8,343	\$31,214	
2015	23,763	8,037	31,800	
2016	25,188	6,612	31,800	
2017	26,700	5,100	31,800	
2018	28,302	3,498	31,800	
2019	16,741	1,800	18,541	
	<u>\$143,565</u>	<u>\$33,390</u>	<u>\$176,955</u>	

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

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

The overall debt margin of the School District as of June 30, 2013 was \$33,986,322 with an unvoted debt margin of \$371,608.

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

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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### **NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)* – The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercised total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2013, the total amount paid to OME-RESA from the School District was \$562 for cooperative gas purchasing service administrative fees, \$13,292 for technology services and \$33,773 for financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

*Educational Regional Service System Region 12 (ERSS)* – The School District participates in the Educational Regional Service System Region 12, 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 Advisory Council exercises total control over the operations of the System including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Advisory Council. Financial information can be obtained from the Muskingum Valley Educational Service Center, 205 N. Seventh Street, Zanesville, Ohio, 43701.

*Coalition of Rural and Appalachian Schools (CORAS)* – The Coalition of Rural and Appalachian Schools is a jointly governed organization including 136 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board exercises total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2013.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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*Belmont-Harrison Vocational School District* – The Belmont-Harrison Vocational School District 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 2013, the School District made no contributions to the Belmont-Harrison Vocational School District. To obtain financial information write to the Belmont-Harrison Vocational School, Mark Lucas, who serves as Treasurer, at Fox Shannon Road, St. Clairsville, Ohio 43950.

### **NOTE 20 - PUBLIC ENTITY POOLS**

#### **A. Insurance Purchasing Pools**

*Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Rating Program (GRP)* – The School District participates in the Better Business Bureau of Central Ohio Incorporated Workers' Compensation Group Rating Program (GRP) a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The GRP is an insurance purchasing pool established through the Better Business Bureau of Ohio, Incorporated. The Program's business and affairs are conducted by the President and CEO of the Better Business Bureau. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the program. The School District's enrollment fee of \$1,300 for policy year 2013 was paid to Sheakley UniService, Inc.

*Ohio School Benefits Cooperative (OSBC)* – The School District participates in the Ohio School Benefits Cooperative (OSBC), a claims servicing and group purchasing pool comprised of twenty-four members. The OSBC is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. The OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees. Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. Medical Mutual/Antares is the Administrator of the OSBC. Effective January 1, 2012, the School District began participating in the joint insurance purchasing program for medical and prescription drug coverage.

#### **B. Risk Sharing, Claims Servicing, and Insurance Purchasing Pool**

*The Jefferson Health Plan Self-Insurance Plan* – The School District participates in the Jefferson Health Plan, formerly known as the Ohio Mid-Eastern Regional Educational Service Agency, Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool.

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

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2013*

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Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

### **NOTE 21 - RELATED ORGANIZATION**

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

### **NOTE 22 - CONTINGENCIES**

#### **A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

#### **B. Litigation**

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **NOTE 23 - SET-ASIDE CALCULATIONS AND FUND RESTRICTIONS**

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

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

Effective June 30, 2005, through Amended Substitute House Bill 66, School Districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education. The St. Clairsville-Richland City School District remained in Fiscal Caution during fiscal year 2013, but did not request a waiver of the set-aside requirement for fiscal year 2013.

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	287,288
Current Year Qualifying Expenditures	(231,465)
Excess Qualified Expenditures from Prior Years	<u>(55,823)</u>
Totals	<u>\$0</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2013	<u>\$0</u>

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

### **NOTE 24 - SUBSEQUENT EVENTS**

#### **A. Levy**

On May 7, 2013 the Board of Education placed a 2.75 mill continuing operating levy on the ballot, which was approved by the voters of the School District. The levy is effective for tax year 2013 with collections first due in calendar year 2014. On October 7, 2013, the Board approved a resolution authorizing the transfer of \$100,000, from the General Fund to the Permanent Improvement Capital Projects fund, following every semi-annual apportionment of taxes, beginning with the School District's first collection of the continuing operating tax revenue and continuing with every semi-annual tax settlement thereafter.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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### **B. Construction Commitments**

On August 14, 2013, the Board of Education approved a contract for the replacement of doors and windows to Bedway Development, in the amount of \$867,225. The doors and windows replacement project is a component of the Elementary School Building Project.

### **C. Long-Term Obligations**

On September 26, 2013, the School District issued a capital lease in the amount of \$1,400,000 for use in upgrading existing facilities. The obligations were issued through a series of lease agreements in accordance with Section 3313.375 of the Ohio Revised Code. The obligations have been designated to be “qualified tax exempt obligations” as set forth in Section 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended, and the regulations prescribed thereunder. In accordance with the lease terms, the project assets are leased to WesBanco Bank, Inc., and then leased back to the School District. The obligations were issued through a series of annual leases with an initial lease term of ten years which includes the right to renew for ten successive one year terms through September 1, 2023, subject to annual appropriations. To satisfy the lessor’s requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations semi-annually. The base rent includes an interest component ranging from 3.0 percent to 4.0 percent. The School District has the option to purchase the Project Facilities on any Lease Payment Date by paying \$100 plus the amount necessary to defease the Indenture.

### **D. Donated Assets**

On August 14, 2013, the Board of Education approved a resolution allowing for the construction of a scoreboard, as an improvement to the School District’s athletic facilities, and the subsequent acceptance of the scoreboard as a donation to the School District. The scoreboard project was undertaken as a joint effort by the Stadium Improvement Committee and Scholastic Sports Marketing, Inc. The total cost of the project is \$238,386, and as of the date of the Financial Statements, the project has been completed.

### **E. Tax Anticipation Notes**

On December 2, 2013, the School District issued a \$1,300,000 tax anticipation note for operations. The note is issued with a 2 percent interest rate. The note is issued in anticipation of tax receipts and is backed by the full faith and credit of the School District. The note will mature on June 30, 2014.

### **F. Release from Fiscal Caution**

As of November 22, 2013, the School District was released from Fiscal Caution by the Ohio Department of Education Superintendent of Public Instruction.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR/ Pass-Through Grantor Program Title</b>	<b>Pass-through Entity Number</b>	<b>Federal CFDA Number</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 - Food Donation	N/A	10.555	\$6,510	\$6,510
Cash Assistance:				
School Breakfast Program	045997-05PU-13	10.553	39,302	39,302
National School Lunch Program	045997-LLP4-13	10.555	124,928	124,928
Cash Assistance Total			164,230	164,230
Total U.S. Department of Agriculture - Child Nutrition Cluster			170,740	170,740
State Administrative Expenses for Child Nutrition	2013 NSLP	10.560		4,556
Total U.S. Department of Agriculture			170,740	175,296
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	045997-C1S1-12	84.010	41,608	43,134
Title I Grants to Local Educational Agencies	045997-C1S1-13		281,485	281,957
			323,093	325,091
Special Education, Cluster (IDEA)				
Special Education, Grants to States (IDEA, Part B)	045997-6BSF-12	84.027	50,341	53,092
	045997-6BSF-13		235,000	241,437
Special Education, Grants to States (IDEA, Part B) Subtotal			285,341	294,529
Special Education, Preschool Grants	045997-13	84.173	4,336	4,336
Total Special Education, Cluster (IDEA)			289,677	298,865
Education Technology State Grants	045997-TJS1-12	84.318	1,461	
Improving Teacher Quality State Grants	045997-TRS1-12	84.367	4,554	8,344
Total Improving Teacher Quality State Grants	045997-TRS1-13		73,052	73,551
			77,606	81,895
ARRA - Race to the Top, Recovery Act	045997-13	84.395	2,100	2,100
Total U.S. Department of Education			693,937	707,951
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$864,677</b>	<b>\$883,247</b>

*The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of this Schedule.*

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS**

The Ohio Department of Education (ODE) permits School District's to transfer cash from certain federal programs to certain other programs through budget amendments. The School District transferred cash to and from the following programs:

<b>CFDA Number</b>	<b>Transfers-In</b>	<b>Transfers-Out</b>
84.367		\$29,964
84.010	\$29,964	



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated on December 19, 2013, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on February 23, 2004.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

St. Clairsville-Richland City School District  
Belmont County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 19, 2013



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

St. Clairsville-Richland City School District  
Belmont County

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control  
Over Compliance Required by OMB Circular A-133

Page 2

***Basis for Qualified Opinion on the Special Education and Child Nutrition Clusters***

As described in Findings 2013-001 and 2013-002 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-001	10.553/10.555	Child Nutrition Cluster	Eligibility
2013-002	84.027/84.173	Special Education Cluster	Cash Management

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to these programs.

***Qualified Opinion on Special Education and Child Nutrition Clusters***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education and Child Nutrition Clusters* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education and Child Nutrition Clusters for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2013-001 and 2013-002 to be material weaknesses.

The School District's responses to our internal control over compliance finding are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

St. Clairsville-Richland City School District  
Belmont County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control  
Over Compliance Required by OMB Circular A-133  
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 19, 2013

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ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT  
BELMONT COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
JUNE 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under Section .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster CFDA #10.553 and #10.555  Special Education Cluster CFDA #84.027 and #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
JUNE 30, 2013  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2013-001
<b>CFDA Title and Number</b>	Child Nutrition Cluster CFDA #10.553 and #10.555
<b>Federal Award Number/Year</b>	2013
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Eligibility**

7 CFR Section 245.6(c)(1) states that except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year.

7 CFR Section 245.6(c)(4) states that the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in section 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in section 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

7 CFR Section 245.6(c)(5)(i) states that when a household submits an application containing the required SNAP, FDPIR or TANF documentation, as defined under *Documentation* in section 245.2, all children in that household shall be categorically eligible for free meals or free milk. Additionally, when the local educational agency obtains confirmation of eligibility for these programs through direct certification, all children who are identified as members of a *Family*, as defined in section 245.2 , shall be categorically eligible for free meals or milk.

Of the 25 applications we tested for eligibility, we noted the following:

- One student did not have an application on file, yet was receiving reduced meal benefits.
- One student's application indicated direct certification, however this student was not on the direct certification list. Also, income that was presented on the application indicated that this student should have been a "paid" status, when in the system, the student was receiving free meal benefits.

We recommend the School District ensure that those receiving free and reduced benefits have a valid application on file, income is calculated properly, and the correct benefits are given to the student. If no application is on file, the School District should ensure the student is on the direct certification list.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
JUNE 30, 2013  
(Continued)**

**3. FINDINGS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2013-002
<b>CFDA Title and Number</b>	Special Education Cluster CFDA #84.027 and #84.173
<b>Federal Award Number/Year</b>	2012/2013
<b>Federal Agency</b>	U.S Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

34 CFR Section 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 CFR Section 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR Section 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. **Ohio Department of Education Project Cash Request Instructions** state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 CFR part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds MUST be expended within the period of time for which cash is requested.

For the Special Education Cluster (IDEA), 40% of drawdowns were not spent within the period of time for which the cash was requested.

We recommend the School District Treasurer review the process for requesting federal dollars to ensure the advance funds are used in the month in which they are received.

**Officials' Response:** See the Corrective Action Plan on page 66 for responses to Finding No. 2013-001 and 2013-002.

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ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT  
BELMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDING  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2012-01	7.C.F.R. Section 6a, Special Tests and Provisions - Verification of Free and Reduced Price Applications – Verification Process not completed accurately.	Yes	N/A.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315 (c)  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	The Director of Food service is currently working with a representative from AVI Foodsystems to make changes to the application process for next school year. A secretary will be utilized to funnel all applications through and therefore have that secretary and the Director of Food Service working with all applications after the approval or denial process in each building. We have already started this relationship this year and will continue to build on it for next school year. All applications will be maintained, filed and entered in a central location and verification will also be handled by the same method.	June 30, 2014	Lowell Perkins, Director of Transportation/Food Service
2013-002	Past practice was to request the estimated advance needed for the next month's expenses. It was acceptable to have a small carryover balance at the end of the month. However, we were notified in December of 2012 that District's were now going to be cited for a carryover balance of \$.01 or more. Therefore, effective with the January 2013 project cash request the St. Clairsville-Richland City School District no longer request advances for our monthly anticipated needs, we estimate our needs then submit the request for less so to ensure that we will not exceed a zero balance at the end of the month.	June 30, 2014	Amy Porter, Treasurer



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the St. Clairsville-Richland City School District, Belmont County, Ohio, has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 13, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature of Dave Yost in black ink.

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 19, 2013

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# Dave Yost • Auditor of State

ST. CLAIRSVILLE-RICHLAND CITY SCHOOL DISTRICT

BELMONT COUNTY

#### CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 31, 2013