



Dave Yost • Auditor of State



**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As further described in Note 3 to the basic financial statements, the District restated July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions" ..

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The federal awards schedule is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule was subject to auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting records used to prepare the basic financial statements or the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

November 23, 2011

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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The discussion and analysis of the Steubenville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$645,735.
- General revenues accounted for \$16,104,807 in revenue or 60 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$10,874,549 or 40 percent of total revenues of \$26,979,356.
- Total assets increased \$107,298. Current assets increased by \$1,658,347 primarily due to increases in cash and investments as well as intergovernmental receivables. Capital assets decreased \$1,551,049 due primarily to depreciation expense on depreciable capital assets.
- The School District had \$26,333,621 in expenses related to governmental activities; only \$10,874,549 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues of \$16,104,807 were adequate to provide for these programs.
- Total Governmental funds had \$26,195,135 in revenues and \$26,211,804 in expenditures. Total Governmental funds' balance, including other financing sources and uses, increased \$94,489 primarily due to conservative spending.

**Using this Annual Financial Report**

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

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

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be Governmental Activities which include instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

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

*Fund Financial Statements*

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

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



**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

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

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$24,354,747	\$22,696,400	\$1,658,347
Capital Assets	49,938,582	51,489,631	(1,551,049)
<b>Total Assets</b>	<b>74,293,329</b>	<b>74,186,031</b>	<b>107,298</b>
<b>Liabilities</b>			
Long-Term Liabilities	12,399,118	12,865,178	(466,060)
Other Liabilities	6,088,092	6,160,469	(72,377)
<b>Total Liabilities</b>	<b>18,487,210</b>	<b>19,025,647</b>	<b>(538,437)</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	41,247,121	42,562,092	(1,314,971)
Restricted	8,878,791	8,319,477	559,314
Unrestricted	5,680,207	4,278,815	1,401,392
<b>Total Net Assets</b>	<b>\$55,806,119</b>	<b>\$55,160,384</b>	<b>\$645,735</b>

Total assets increased \$107,298. Current assets increased by \$1,658,347 primarily due to increases in cash and investments as well as intergovernmental receivables. Capital assets decreased \$1,551,049 due primarily to depreciation expense on depreciable capital assets.

Total liabilities decreased \$538,437 due primarily to annual debt service payments on long term debt.

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2011 compared to fiscal year 2010.

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

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$3,822,158	\$3,928,282	(\$106,124)
Operating Grants and Contributions	6,708,603	6,916,015	(207,412)
Capital Grants and Contributions	343,788	180,451	163,337
Total Program Revenues	<u>10,874,549</u>	<u>11,024,748</u>	<u>(150,199)</u>
General Revenues			
Property Taxes	4,047,486	4,565,294	(517,808)
Grants and Entitlements not Restricted to Specific Programs	11,816,331	10,267,951	1,548,380
Others	240,990	323,228	(82,238)
Total General Revenues	<u>16,104,807</u>	<u>15,156,473</u>	<u>948,334</u>
<b>Total Revenues</b>	<u>26,979,356</u>	<u>26,181,221</u>	<u>798,135</u>
<b>Program Expenses</b>			
Instruction			
Regular	10,024,078	9,800,818	223,260
Special	4,183,487	4,335,754	(152,267)
Vocational	894,882	1,010,280	(115,398)
Student Intervention Services	53,439	173,691	(120,252)
Support Services			
Pupil	1,110,096	1,057,873	52,223
Instructional Staff	971,228	766,315	204,913
Board of Education	43,192	46,747	(3,555)
Administration	2,737,423	2,142,957	594,466
Fiscal	491,275	390,321	100,954
Business	205,561	229,797	(24,236)
Operation and Maintenance of Plant	2,391,645	2,162,219	229,426
Pupil Transportation	610,008	578,767	31,241
Central	43,385	69,549	(26,164)
Operation of Non-Instructional Services	630,153	453,428	176,725
Food Service Operations	896,881	890,683	6,198
Extracurricular Activities	587,914	746,503	(158,589)
Interest and Fiscal Charges	458,974	516,376	(57,402)
<b>Total Expenses</b>	<u>26,333,621</u>	<u>25,372,078</u>	<u>961,543</u>
<b>Decrease in Net Assets</b>	645,735	809,143	(163,408)
Net Assets Beginning of Year	<u>55,160,384</u>	<u>54,351,241</u>	<u>809,143</u>
Net Assets End of Year	<u><u>\$55,806,119</u></u>	<u><u>\$55,160,384</u></u>	<u><u>\$645,735</u></u>

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

In 2011, 15 percent of the School District's revenues were from property taxes, and 44 percent were from unrestricted grants and entitlements.

Instructional programs comprise approximately 58 percent of total governmental program expenses and reflected a \$164,657 decrease from fiscal year 2010. Overall, program expenses of the School District increased by \$961,543 with the largest increases being reflected in administration, fiscal, and operation and maintenance of plant support services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2011 compared to fiscal year 2010. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Instruction				
Regular	\$10,024,078	\$9,800,818	\$4,729,476	\$5,671,332
Special	4,183,487	4,335,754	2,507,640	821,760
Vocational	894,882	1,010,280	877,380	793,838
Student Intervention Service	53,439	173,691	53,439	173,691
Support Services				
Pupil	1,110,096	1,057,873	625,810	753,181
Instructional Staff	971,228	766,315	388,886	267,223
Board of Education	43,192	46,747	43,192	46,747
Administration	2,737,423	2,142,957	2,546,217	1,941,342
Fiscal	491,275	390,321	266,479	161,160
Business	205,561	229,797	205,561	224,066
Operation and Maintenance of Plant	2,391,645	2,162,219	1,897,613	2,047,891
Pupil Transportation	610,008	578,767	610,008	577,588
Central	43,385	69,549	12,498	989
Operation of Non-Instructional Services	630,153	453,428	88,738	8,081
Food Service Operations	896,881	890,683	(71,887)	(84,969)
Extracurricular Activities	587,914	746,503	219,048	427,034
Interest and Fiscal Charges	458,974	516,376	458,974	516,376
<b>Total Expenses</b>	<u>\$26,333,621</u>	<u>\$25,372,078</u>	<u>\$15,459,072</u>	<u>\$14,347,330</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as approximately 59 percent of expenses are supported through taxes and other general revenues.

**The School District Funds**

Information about the School District funds starts on page 14. The School District has two major funds, the General Fund and Debt Service Fund. The General Fund had \$18,194,773 in revenues and \$17,904,503 in expenditures. Including other financing sources, the General Fund's balance increased \$291,288. The Debt Service Fund had \$1,143,558 in revenues and \$1,131,706 in expenditures. Including other financing sources and uses, the Debt Service Fund's balance increased \$79,692.

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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***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 2011 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 slight decreases in tax and intergovernmental revenue as well as increases in instructional expenditures, which were offset slightly by decreases in support service expenditures. The actual results of operations were different than budgeted amounts as total revenue realized was only slightly less than estimated; spending in almost all categories was lower than budgeted appropriations, with overall expenditures being \$1,440,239 below appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the School District had \$49,938,582 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 8 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2011, the School District had \$11,285,174 in bonds outstanding.

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

	<b>2011</b>	<b>2010</b>
1993 High School Addition and Improvement Serial Bonds	\$0	\$480,000
1998 Refunding Bonds- Term and Capital Appreciation Bonds	3,798,327	4,296,099
2000 School Facilities Serial, Term, and Capital Appreciation Bonds	595,283	2,370,277
2011 Refunding Bonds - Term and Capital Appreciation Bonds	2,234,324	0
2005 Qualified Zone Academy Bonds	3,930,240	3,930,240
2007 Qualified Zone Academy Bonds	700,000	700,000
<b><i>Total</i></b>	<b>\$11,258,174</b>	<b>\$11,776,616</b>

See note 13 for more detailed information on the School District's debt.

***Economic Factors***

Enrollment increased at the middle school during the 2009-2010 school year due to the additional grade level, compounded by projected enrollment increases at the middle school for the 2010-2011 school year. The increases prompted the School District to pursue building an extension onto the middle school in order to add additional classroom space. Work began on the project at the end of the school year, in June of 2010, and was completed prior to the start of the 2010-2011 school year.

The Steubenville City School District received the I3 Success For All Grant and is a participant in the State of Ohio's Race to the Top Grant (RttT).

**Steubenville City School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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

Academic awards continued to abound for the School District staff and students during the 2010-2011 school year. All three elementary schools were applauded for being named Schools of Promise, a distinction placed on only 161 schools across the state, out of a total of 613 schools.

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

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

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

**Steubenville City School District**  
*Statement of Net Assets*  
*June 30, 2011*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$15,073,895
Intergovernmental Receivable	880,685
Investments with Fiscal Agents	2,128,280
Prepaid Items	7,777
Materials and Supplies Inventory	13,115
Property Taxes Receivable	6,075,413
Deferred Charges	175,582
Non-Depreciable Capital Assets	5,766,487
Depreciable Capital Assets, Net	44,172,095
<i>Total Assets</i>	74,293,329
<b>Liabilities</b>	
Accounts Payable	87,440
Accrued Wages and Benefits Payable	1,644,396
Intergovernmental Payable	432,488
Vacation Benefits Payable	28,396
Matured Severance Payable	35,303
Accrued Interest Payable	18,496
Retainage Payable	51,375
Claims Payable	288,566
Deferred Revenue	3,501,632
Long-Term Liabilities:	
Due Within One Year	953,786
Due In More Than One Year	11,445,332
<i>Total Liabilities</i>	18,487,210
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	41,247,121
Restricted for:	
Debt Service	4,138,818
Capital Outlay	1,491,252
Budget Stabilization	85,496
Federal Programs	771,984
Food Service Operations	320,798
Preschool Programs	388,049
Classroom Facilities Maintenance	1,107,120
Other Purposes	575,274
Unrestricted	5,680,207
<i>Total Net Assets</i>	\$55,806,119

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$10,024,078	\$3,157,142	\$1,797,460	\$340,000	(\$4,729,476)
Special	4,183,487	4,500	1,668,163	3,184	(2,507,640)
Vocational	894,882	0	17,502	0	(877,380)
Student Intervention Services	53,439	0	0	0	(53,439)
Support Services:					
Pupil	1,110,096	52,872	431,414	0	(625,810)
Instructional Staff	971,228	6,474	575,868	0	(388,886)
Board of Education	43,192	0	0	0	(43,192)
Administration	2,737,423	0	191,206	0	(2,546,217)
Fiscal	491,275	0	224,796	0	(266,479)
Business	205,561	0	0	0	(205,561)
Operation and Maintenance of Plant	2,391,645	29,071	464,357	604	(1,897,613)
Pupil Transportation	610,008	0	0	0	(610,008)
Central	43,385	0	30,887	0	(12,498)
Operation of Non-Instructional Services	630,153	9,729	531,686	0	(88,738)
Food Service Operations	896,881	193,504	775,264	0	71,887
Extracurricular Activities	587,914	368,866	0	0	(219,048)
Interest and Fiscal Charges	458,974	0	0	0	(458,974)
<i>Total Governmental Activities</i>	<u>\$26,333,621</u>	<u>\$3,822,158</u>	<u>\$6,708,603</u>	<u>\$343,788</u>	<u>(15,459,072)</u>

**General Revenues**

Property Taxes Levied for General Purposes	3,114,287
Property Taxes Levied for Debt Service	869,553
Property Taxes Levied for Classroom Facilities Maintenance	63,646
Grants and Entitlements not Restricted to Specific Programs	11,816,331
Gifts and Donations	59,448
Investment Earnings	98,603
Miscellaneous	82,939
<i>Total General Revenues</i>	<u>16,104,807</u>
Change in Net Assets	645,735
<i>Net Assets Beginning of Year</i>	<u>55,160,384</u>
<i>Net Assets End of Year</i>	<u>\$55,806,119</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,134,331	\$1,560,479	\$5,710,894	\$11,405,704
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	85,496	0	51,375	136,871
Investments with Fiscal and Escrow Agents	0	2,128,280	0	2,128,280
Receivables:				
Property Taxes	4,754,534	1,227,969	92,910	6,075,413
Intergovernmental	148,178	0	732,507	880,685
Prepaid Items	0	0	7,777	7,777
Materials and Supplies Inventory	6,876	0	6,239	13,115
<i>Total Assets</i>	<u>\$9,129,415</u>	<u>\$4,916,728</u>	<u>\$6,601,702</u>	<u>\$20,647,845</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$54,158	\$0	\$33,282	\$87,440
Accrued Wages and Benefits	1,532,055	0	112,341	1,644,396
Matured Severance Payable	35,303	0	0	35,303
Intergovernmental Payable	400,370	0	32,118	432,488
Retainage Payable	0	0	51,375	51,375
Deferred Revenue	4,505,329	1,113,860	813,357	6,432,546
<i>Total Liabilities</i>	<u>6,527,215</u>	<u>1,113,860</u>	<u>1,042,473</u>	<u>8,683,548</u>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	6,876	0	6,239	13,115
Prepaid Items	0	0	7,777	7,777
Restricted for:				
Debt Service	0	3,802,868	0	3,802,868
Capital Outlay	0	0	3,112,035	3,112,035
Budget Stabilization	85,496	0	0	85,496
State Programs	0	0	2,534	2,534
Federal Programs	0	0	40,466	40,466
Food Service Operations	0	0	348,788	348,788
Preschool Programs	0	0	388,049	388,049
Classroom Facilities Maintenance	0	0	1,078,067	1,078,067
Other Purposes	0	0	575,274	575,274
Assigned for:				
Budget Stabilization	259,332	0	0	259,332
Set Asides	470,934	0	0	470,934
Fiscal Year 2012 Appropriations	1,469,805	0	0	1,469,805
Unassigned	309,757	0	0	309,757
<i>Total Fund Balances</i>	<u>2,602,200</u>	<u>3,802,868</u>	<u>5,559,229</u>	<u>11,964,297</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,129,415</u>	<u>\$4,916,728</u>	<u>\$6,601,702</u>	<u>\$20,647,845</u>

See accompanying notes to the basic financial statements



**Steubenville City School District**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2011*

**Total Governmental Fund Balances** \$11,964,297

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 49,938,582

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

Grants	728,701
Tuition and Fees	148,178
Property Taxes	<u>2,054,035</u>

Total 2,930,914

Unamortized issuance costs represent deferred charges which  
do not provide current financial resources and, therefore, are  
not reported in the funds. 175,582

An internal service fund is used by management to charge the  
costs of insurance to individual funds. The assets and  
liabilities of the internal service fund are included in  
governmental activities on the statement of net assets. 3,242,754

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

General Obligation Bonds - Serial / Term	5,250,000
General Obligation Bonds - Capital Appreciation Bonds	463,262
Compensated Absences	1,140,944
Vacation Benefits Payable	28,396
Qualified Zone Academy Bonds	4,630,240
Accrued Interest Payable	18,496
Premium on Refunding Bonds	144,324
Accretion on Capital Appreciation Bonds	<u>770,348</u>

Total (12,446,010)

*Net Assets of Governmental Activities* \$55,806,119

See accompanying notes to the basic financial statements

**Stebenville City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$3,027,545	\$851,147	\$62,138	\$3,940,830
Intergovernmental	11,822,740	223,255	5,754,026	17,800,021
Interest	29,243	69,156	1,116	99,515
Tuition and Fees	3,199,506	0	63,846	3,263,352
Extracurricular Activities	4,403	0	320,571	324,974
Rent	29,071	0	21,571	50,642
Contributions and Donations	6,959	0	392,489	399,448
Charges for Services	7,860	0	225,554	233,414
Miscellaneous	67,446	0	15,493	82,939
<i>Total Revenues</i>	<u>18,194,773</u>	<u>1,143,558</u>	<u>6,856,804</u>	<u>26,195,135</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,562,440	0	1,037,711	9,600,151
Special	2,404,242	0	1,678,330	4,082,572
Vocational	811,117	0	12,701	823,818
Student Intervention Services	53,439	0	0	53,439
Support Services:				
Pupil	652,893	0	443,420	1,096,313
Instructional Staff	235,623	0	628,079	863,702
Board of Education	43,192	0	0	43,192
Administration	1,719,938	0	193,725	1,913,663
Fiscal	425,656	23,768	3,184	452,608
Business	193,705	0	16,159	209,864
Operation and Maintenance of Plant	1,845,263	0	620,512	2,465,775
Pupil Transportation	652,647	0	0	652,647
Central	11,429	0	31,956	43,385
Operation of Non-Instructional Services	13,814	0	621,237	635,051
Food Service Operations	0	0	904,024	904,024
Extracurricular Activities	279,105	0	376,922	656,027
Capital Outlay	0	0	607,635	607,635
Debt Service:				
Principal Retirement	0	324,622	0	324,622
Interest and Fiscal Charges	0	235,098	0	235,098
Issuance Costs	0	67,840	0	67,840
CAB Accretion	0	480,378	0	480,378
<i>Total Expenditures</i>	<u>17,904,503</u>	<u>1,131,706</u>	<u>7,175,595</u>	<u>26,211,804</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>290,270</u>	<u>11,852</u>	<u>(318,791)</u>	<u>(16,669)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	2,090,000	0	2,090,000
Premium on Refunding Bonds Issued	0	144,324	0	144,324
Sale of Capital Assets	1,018	0	42,300	43,318
Payment to Refunded Bond Escrow Agent	0	(2,166,484)	0	(2,166,484)
<i>Total Other Financing Sources (Uses)</i>	<u>1,018</u>	<u>67,840</u>	<u>42,300</u>	<u>111,158</u>
<i>Net Change in Fund Balances</i>	291,288	79,692	(276,491)	94,489
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>2,310,912</u>	<u>3,723,176</u>	<u>5,835,720</u>	<u>11,869,808</u>
<i>Fund Balances End of Year</i>	<u>\$2,602,200</u>	<u>\$3,802,868</u>	<u>\$5,559,229</u>	<u>\$11,964,297</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Reconciliation of the Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$94,489</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Outlay	1,113,772	
Depreciation	<u>(1,952,344)</u>	
Total		(838,572)
Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities		(712,477)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Property Taxes	106,656	
Intergovernmental	728,701	
Tuition and Fees	(50,224)	
Interest	<u>(991)</u>	
Total		784,142
Issuance of Debt is reported as other financing sources in the governmental funds, but the issuance increases long term liabilities on the statement of net assets.		
General Obligation Refunding Bonds	(2,015,000)	
Capital Appreciation Refunding Bonds	(75,000)	
Premium on Refunding Bonds	<u>(144,324)</u>	
Total		(2,234,324)
Payment to the refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		2,166,484
The difference between the net carrying amount of the refunded debt and the acquisition price is allocated over the life of the outstanding debt on the statement of activities.		(76,484)
Bond issuance costs are debt service expenditures in the governmental funds when paid, but are reported as deferred charges on the statement of net assets and are allocated as an expense over the life of the outstanding debt on the statement of activities.		
Bond Issuance Costs Paid		67,840
Repayment of principal and accretion is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General Obligation Bonds	205,000	
Capital Appreciation Bonds	119,622	
Capital Appreciation Bond Accretion	<u>480,378</u>	
Total		805,000
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities, and the accretion of interest of capital appreciation bonds is reported in the statement of activities.		
Accrued Interest	5,439	
Accretion of Interest	<u>(142,234)</u>	
Total		(136,795)
Issuance cost are reported as an expenditure when paid in governmental fund, but are allocated as an expense over the life of the outstanding debt on the statement of activities		(10,597)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Vacation Benefits Payable	13,270	
Compensated Absences	<u>(52,382)</u>	
Total		(39,112)
The internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.		<u>776,141</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$645,735</u></u>

See accompanying notes to the basic financial statements

**Stebenville 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, 2011*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>				
Property Taxes	\$3,169,052	\$3,073,152	\$3,069,839	(\$3,313)
Intergovernmental	11,926,309	11,798,770	11,822,740	23,970
Interest	36,065	34,600	32,340	(2,260)
Tuition and Fees	3,142,259	3,214,609	3,199,506	(15,103)
Rent	1,345	20,163	29,071	8,908
Extracurricular	11,000	5,050	4,403	(647)
Contributions and Donations	4,906	6,236	6,959	723
Charges for Services	7,720	7,900	7,860	(40)
Miscellaneous	146,486	138,779	67,443	(71,336)
<i>Total Revenues</i>	<u>18,445,142</u>	<u>18,299,259</u>	<u>18,240,161</u>	<u>(59,098)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,159,951	8,712,021	8,571,206	140,815
Special	2,853,335	2,639,768	2,405,399	234,369
Vocational	928,679	891,200	815,845	75,355
Student Intervention Services	182,900	53,400	53,439	(39)
Support Services:				
Pupil	855,845	757,467	675,804	81,663
Instructional Staff	221,795	254,192	229,294	24,898
Board of Education	99,844	92,133	52,505	39,628
Administration	2,019,739	1,958,995	1,781,646	177,349
Fiscal	438,014	444,103	430,496	13,607
Business	302,846	270,852	202,967	67,885
Operation and Maintenance of Plant	2,775,577	2,532,927	1,968,628	564,299
Pupil Transportation	529,565	664,535	679,289	(14,754)
Central	16,471	10,545	11,429	(884)
Operation of Non-Instructional Services	17,810	16,614	13,871	2,743
Extracurricular Activities	292,848	331,037	297,732	33,305
Capital Outlay	1,019	0	0	0
<i>Total Expenditures</i>	<u>18,696,238</u>	<u>19,629,789</u>	<u>18,189,550</u>	<u>1,440,239</u>
Excess of Revenues Over (Under) Expenditures	<u>(251,096)</u>	<u>(1,330,530)</u>	<u>50,611</u>	<u>1,381,141</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	3,500	3,500	1,018	(2,482)
Payment to QZAB Escrow Agent	(579,140)	(754,130)	0	754,130
Transfers In	295	295	0	(295)
Advances In	0	54,938	54,938	0
Transfers Out	(403,745)	0	0	0
Advances Out	0	(2,500)	0	2,500
<i>Total Other Financing Sources (Uses)</i>	<u>(979,090)</u>	<u>(697,897)</u>	<u>55,956</u>	<u>753,853</u>
<i>Net Change in Fund Balance</i>	<u>(1,230,186)</u>	<u>(2,028,427)</u>	<u>106,567</u>	<u>2,134,994</u>
<i>Fund Balance Beginning of Year</i>	<u>3,562,882</u>	<u>3,562,882</u>	<u>3,562,882</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>346,455</u>	<u>346,455</u>	<u>346,455</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,679,151</u>	<u>\$1,880,910</u>	<u>\$4,015,904</u>	<u>\$2,134,994</u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,531,320
<b>Current Liabilities</b>	
Claims Payable	<u>288,566</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$3,242,754</u></u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<u>Governmental Activity</u> <u>Internal Service</u> <u>Fund</u>
<b>Operating Revenues</b>	
Charges for Services	\$3,653,043
Other Revenues	2,461
<i>Total Operating Revenues</i>	<u>3,655,504</u>
<b>Operating Expenses</b>	
Purchased Services	365,404
Claims	2,514,038
<i>Total Operating Expenses</i>	<u>2,879,442</u>
<i>Operating Income</i>	776,062
<b>Non-Operating Revenues</b>	
Interest	79
<i>Change in Net Assets</i>	776,141
<i>Net Assets Beginning of Year</i>	<u>2,466,613</u>
<i>Net Assets End of Year</i>	<u><u>\$3,242,754</u></u>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2011

	Governmental Activity
	Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$3,653,043
Cash Payments for Services	(365,404)
Cash Payments for Claims	(2,498,122)
Other Cash Payments	2,461
	791,978
<i>Net Cash Provided by Operating Activities</i>	<i>791,978</i>
<b>Cash Flows from Investing Activities</b>	
Interest	79
	79
<i>Net Cash Provided by Investing Activities</i>	<i>79</i>
<i>Net Increase in Cash and Cash Equivalents</i>	<i>792,057</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>2,739,263</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$3,531,320</i>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$776,062
Increase in Claims Payable	15,916
	15,916
<i>Net Cash Provided by Operating Activities</i>	<i>\$791,978</i>

See accompanying notes to the basic financial statements

**Steubenville City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust Funds	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$322,410	\$57,702
Investments	69,246	0
<i>Total Assets</i>	391,656	\$57,702
<b>Liabilities</b>		
Due to Students	0	\$57,702
<b>Net Assets</b>		
Held in Trust for Scholarships	391,656	
<i>Total Net Assets</i>	\$391,656	

See accompanying notes to the basic financial statements



**Steubenville City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust Funds
<b>Additions</b>	
Contributions and Donations	\$93,993
Investment Income	15,537
Total Additions	109,530
<b>Deductions</b>	
Scholarships Awarded	95,550
<i>Net Change in Fund Balance</i>	13,980
<i>Net Assets Beginning of Year</i>	377,676
<i>Net Assets End of Year</i>	\$391,656

See accompanying notes to the basic financial statements

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**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

The School District was established in 1838. The School District serves an area of 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 99 non-certificated employees, 159 certificated full-time teaching personnel, and 17 administrative employees who provide services to 2,408 students and other community members. The School District currently operates 3 elementary schools, 1 middle school, 1 high school, and 1 administrative center.

*Reporting Entity:*

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

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

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

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

The School District is involved with the Jefferson County Joint Vocational School, Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council), the Coalition of Rural and Appalachian Schools (CORAS), and the Educational Regional Service System Region 12 (ERSS), which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan which is defined as an insurance purchasing pool. These organizations are presented in Notes 14 and 15 to the financial statements.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

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

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

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

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

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

### **C. Measurement Focus**

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

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

**D. Basis of Accounting**

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

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

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

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2011, investments were limited to mutual funds, Federal Home Loan Corporation Notes, Federal National Mortgage Association Notes and common stock.

Investments in Federal Home Loan Corporation Notes, Federal National Mortgage Association Notes and common stock are reported at fair value, which is based on quoted market prices. Mutual funds and money market mutual funds are reported at current share value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$29,243, which includes \$22,853, assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. The District reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in the fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments, amounts required by State Statute to be set-aside by the School District for budget stabilization, and amounts withheld on construction contracts until the successful completion of the contract. See Note 16 for additional information regarding set-asides.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**H. Inventory**

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

**I. Capital Assets**

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

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

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

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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



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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

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

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

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

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

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

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

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

**N. Internal Activity**

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a 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.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**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 specified 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 are 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. 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.

**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,

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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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 Assets**

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

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

**Q. Operating Revenues and Expenses**

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

**R. Extraordinary and Special Items**

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

**S. Estimates**

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

**T. Budgetary Data**

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

*Changes in Accounting Principles* - For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

*Restatement of Prior Year’s Fund Balance* - In prior years, the Permanent Improvement Fund has been reported as a major fund. As of June 30, 2011, the Permanent Improvement Fund will be presented as a nonmajor fund. The prior year balance is presented as a reconciling item in the table below for comparability between years. Also, due to the implementation of GASB Statement No. 54, fund reclassification occurred for two funds that had previously been reported as special revenue funds and are now being combined with the General Fund in accordance with the new standards. The effect of the changes is as follows:

	Major Funds		Other
	General	Permanent Improvement	Governmental Funds
Fund Balance, June 30, 2010	\$2,285,415	\$1,077,763	\$4,783,454
Permanent Improvement Nonmajor Fund	0	(1,077,763)	1,077,763
Restatement, Fund Classification	25,497	0	(25,497)
Adjusted Fund Balance, June 30, 2010	\$2,310,912	\$0	\$5,835,720

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non

**Stuebenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Net Change in Fund Balance

	General
GAAP Basis	\$291,288
Revenue Accruals	45,388
Advances In	54,938
Expenditure Accruals	(81,124)
Encumbrances	(203,923)
Budget Basis	\$106,567

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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Interim monies held by the School District can be deposited or invested in the following securities:

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,760,946 of the School District's bank balance of \$13,260,946 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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Investments

As of June 30, 2011, the School District had the following investments: Federal Home Loan Corporation Notes, Federal National Mortgage Association Notes, and mutual funds that are held by a Fiscal Agent for future Debt Service, and mutual funds and stocks that are donated assets which are held for the private purpose trust fund.

	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investments</u>	<u>Rating</u>	<u>Rating Agency</u>
Mutual Funds	\$16,370	**	0.74%	**	N/A
Common Stock	2,532	N/A	0.12%	A-	S&P
Common Stock	17,800	N/A	0.81%	AA-	S&P
Common Stock	30,249	N/A	1.38%	BBB-	S&P
Common Stock	2,295	N/A	0.10%	**	N/A
Mutual Fund	2,470	N/A	0.11%	Aaa	Moody's
Federal Home Loan Corporation Note	293,865	12/30/2011	13.37%		Moody's
Federal National Mortgage Association Note	<u>1,831,945</u>	8/15/2011	<u>83.36%</u>		Moody's
<b>Totals</b>	<u><u>\$2,197,526</u></u>		<u><u>100.00%</u></u>		

\*\* Not available to the School District at June 30, 2011.

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

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

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

**NOTE 6 - 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, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an



**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

The amount available as an advance at June 30, 2011 was \$397,383 in the General Fund, \$114,109 in the Debt Service Fund, and \$8,254 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2010 was \$439,677 in the General Fund, \$126,892 in the Debt Service Fund, and \$9,200 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$159,863,370	94.20%	\$157,711,890	94.40%
Public Utility Personal	9,841,590	5.80%	9,363,320	5.60%
	\$169,704,960	100.00%	\$167,075,210	100.00%
Tax Rate per \$1,000 of assessed valuation		\$35.35		\$35.35

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011, consisted of property taxes, intergovernmental grants and excess costs. 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 \$2,054,035 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>	
Title I	\$3,806
Education Jobs	728,701
Excess Cost Reimbursement	148,178
Total	\$880,685

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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
<b>Nondepreciable Capital Assets:</b>				
Land	\$6,421,487	\$0	(\$670,000)	\$5,751,487
Construction in Progress	60,150	15,000	(60,150)	15,000
<b>Total Nondepreciable Capital Assets</b>	<b>6,481,637</b>	<b>15,000</b>	<b>(730,150)</b>	<b>5,766,487</b>
<b>Depreciable Capital Assets:</b>				
Land Improvements	2,196,851	263,971	0	2,460,822
Buildings and Improvements	52,474,096	643,644	(283,195)	52,834,545
Furniture and Equipment	3,217,365	226,040	(43,461)	3,399,944
Vehicles	1,068,236	25,267	0	1,093,503
<b>Total Depreciable Capital Assets</b>	<b>58,956,548</b>	<b>1,158,922</b>	<b>(326,656)</b>	<b>59,788,814</b>
<b>Accumulated Depreciation:</b>				
Land Improvements	(1,261,497)	(70,582)	0	(1,332,079)
Buildings and Improvements	(10,462,297)	(1,549,661)	240,718	(11,771,240)
Furniture and Equipment	(1,406,598)	(279,095)	43,461	(1,642,232)
Vehicles	(818,162)	(53,006)	0	(871,168)
<b>Total Accumulated Depreciation</b>	<b>(13,948,554)</b>	<b>(1,952,344)</b>	<b>284,179</b>	<b>(15,616,719)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>45,007,994</b>	<b>(793,422)</b>	<b>(42,477)</b>	<b>44,172,095</b>
<b>Governmental Capital Assets, Net</b>	<b>\$51,489,631</b>	<b>(\$778,422)</b>	<b>(\$772,627)</b>	<b>\$49,938,582</b>

Depreciation expense was charged to governmental activities as follows:

<b>Instruction:</b>	
Regular	\$923,986
Special	218,201
Vocational	164,721
<b>Support Services:</b>	
Pupil	48,048
Instructional Staff	124,358
Administration	202,030
Fiscal	18,682
Operation of Maintenance and Plant	109,104
Pupil Transportation	43,101
Extracurricular	52,386
Non Instructional Services	18,659
Food Service Operations	29,068
<b>Total Depreciation Expense</b>	<b>\$1,952,344</b>

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracts with McBane Insurance Agency for general liability, errors and omissions, property, and fleet insurance. The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$2,500 deductible with total coverage of \$73,891,607. The fleet coverage has limits of liability of \$1,000,000 for each accident and \$2,000 medical payments for each accident.

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

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with Medical Mutual of Ohio to provide third-party administration services of the self insurance plan. The Board pays 100 percent of the premiums which are \$1,581.44 for family coverage and \$585.19 for single coverage. The premium is paid from the fund that pays the salary of the covered employee. Effective July 1, 2011, the School District has approved membership in the OME-RESA Self Insurance Plan (See Subsequent Event Note 18).

The claims liability of \$288,566 reported in the internal service fund at June 30, 2011 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:

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at End <u>of Year</u>
2010	\$313,233	\$2,346,345	\$2,386,928	\$272,650
2011	272,650	2,514,038	2,498,122	288,566

For fiscal year 2011 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.77 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$209,147, \$275,753 and \$186,629 respectively; 100 percent has been contributed for fiscal year 2011, 63.66 percent for fiscal year 2010 and 100 percent for fiscal year 2009.

**B. State Teachers Retirement System**

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

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,317,615, \$1,301,772, and \$1,306,178 respectively; 79.51 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$28,563 made by the School District and \$20,401 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care and 0.04 percent was allocated to death benefits. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$27,442, \$10,822, and \$85,410 respectively; 100 percent has been contributed for fiscal year 2011, 63.66 percent for fiscal year 2010 and 100 percent for fiscal year 2009.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$15,116, \$16,450, and \$15,398 respectively; 100 percent has been contributed for fiscal year 2011, 63.66 percent for fiscal year 2010 and 100 percent for fiscal year 2009.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$97,831, \$100,136, and \$98,650 respectively; 79.51 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Other Insurance Benefits**

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts Due In One Year
<b><i>1993 High School Addition and Improvements, Series A</i></b>					
Serial Bonds, \$951,384 @ 5.95%	\$480,000	\$0	\$480,000	\$0	\$0
<b><i>1998 Refunding Bonds, \$10,515,000</i></b>					
Term Bonds, \$8,130,000 @ 3.5%-5.25%	3,235,000	0	0	3,235,000	0
Capital Appreciation Bonds, \$512,935 @ 4.4%-4.55%	222,884	0	119,622	103,262	103,262
Accretion of Interest, \$1,872,065 @ 13.70-13.75%	838,215	102,228	480,378	460,065	460,065
<b><i>2000 School Facilities Bonds, \$3,640,000</i></b>					
Serial/Term Bonds, \$2,960,000 @ 4.4%-5.6%	1,815,000	0	1,815,000	0	0
Capital Appreciation Bonds, \$285,000 @ 5.25%-5.5%	285,000	0	0	285,000	77,960
Accretion of Interest, \$395,000 @ 7.022%-7.185%	270,277	40,006	0	310,283	92,040
<b><i>2005 Qualified Zone Academy Bonds, \$3,930,240 @ 0%</i></b>					
	3,930,240	0	0	3,930,240	0
<b><i>2007 Qualified Zone Academy Bonds, \$700,000 @ 0%</i></b>					
	700,000	0	0	700,000	0
<b><i>2011 Refunding Bonds, \$2,090,000 (1)</i></b>					
Serial Bonds, \$2,015,000 @ 1.0%-3.70%	0	2,015,000	0	2,015,000	110,000
Capital Appreciation Bonds \$75,000 @ 3.0%	0	75,000	0	75,000	0
Accretion of Interest \$195,000 @ 22.50%	0	0	0	0	0
Premium - \$144,324	0	144,324	0	144,324	0
<b>Total Bonds</b>	<b>11,776,616</b>	<b>2,376,558</b>	<b>2,895,000</b>	<b>11,258,174</b>	<b>843,327</b>
Compensated Absences	1,088,562	171,373	118,991	1,140,944	110,459
<b>Total General Long-Term Obligations</b>	<b>\$12,865,178</b>	<b>\$2,547,931</b>	<b>\$3,013,991</b>	<b>\$12,399,118</b>	<b>\$953,786</b>

(1) – No refunding difference to be amortized due to all refunded bonds being called and fully repaid during fiscal year 2011.

Compensated absences will be paid from the General Fund, and Food Service, and Miscellaneous State Grants Special Revenue Funds.

*1993 Steubenville High School Addition and Improvement General Obligation Bonds* - On January 1, 1993, the Steubenville City School District issued \$951,384 in Series A voted general obligation bonds, and \$9,698,616 in Series B voted general obligation bonds for the purpose of an addition and improvements to the high school building. The bonds were issued for a twenty-five year period with final maturity at December 1, 2017. The Series B bonds were refunded in 1998. During fiscal year 2011, the School District made the scheduled annual debt service payment of \$45,000 and refunded the entire remaining outstanding balance of Series A bonds of \$435,000, leaving no outstanding liability for the 1993 issue at June 30, 2011.

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*Notes to the Basic Financial Statements*  
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*1998 Refunding General Obligation Bonds* - On September 30, 1998, the School District issued \$10,515,000 in general obligation bonds. The bonds refunded \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2022. Principal and accretion outstanding at June 30, 2011 amounted to \$3,798,327, including current year accretion of \$102,228.

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

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

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

The capital appreciation bonds for the 1998 issue mature December 1, 2009 through December 1, 2011. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,195,000. For fiscal year 2011, \$600,000 of the capital appreciation bonds were repaid, and \$102,228 was accreted leaving a remaining total bond liability of \$563,327.

*2000 School Facilities General Obligation Bonds* - On November 1, 2000, the School District issued \$3,640,000 in voted general obligation bonds which included serial, term and capital appreciation bonds to pay the local share of the school construction project under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. During fiscal year 2011, the School District made the scheduled repayment of serial bonds in the amount of \$160,000, and refunded \$1,655,000 of the term bonds. The refunded portion of the bonds was removed from the financial statements of the School District.

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

The capital appreciation bonds for the 2000 bond issue mature December 1, 2011 through December 1, 2014. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$680,000. For fiscal year 2011, \$40,006 was accreted for a total bond liability of \$595,283.

*2005 Qualified Zone Academy Bonds* – On August 21, 2005, the School District issued \$3,930,240 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District’s local share of renovations to the High School and Garfield Elementary School through the Ohio School Facilities Commission. The QZAB matures in 2021, with the entire principal balance coming due at maturity. The QZAB does not bear interest. To satisfy fiscal agent requirements of the program, the School District placed \$1.0 million in a debt service



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sinking fiscal agent account for future payment of the bonds with US Bank, the fiscal agent. The fiscal agent account will be invested with all of the proceeds to be used for the final payoff of the bonds in 2021. Along with the investment earnings of the fiscal agent account, the School District is required to place \$120,810, annually into the debt service sinking fiscal agent account that will be used for the final bond repayment in 2021. The value of the fiscal agent account is recorded as restricted investments with fiscal agents in the debt service fund. The QZAB's had issuance costs of \$137,558 which were reported as deferred charges and amortized over the life of the bonds using the straight-line method. The amortization for fiscal year 2011 was \$8,597.

*2007 Qualified Zone Academy Bonds* – On August 17, 2007, the School District issued \$700,000 qualified zone academy bonds (QZAB), in accordance with Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34), for use as the School District's locally funded portion of renovations of the High School theater/auditorium through the Ohio School Facilities Commission. The QZAB matures in 2022, with the entire principal balance coming due at maturity. The QZAB does not bear interest. To satisfy fiscal agent requirements of the program, the School District placed \$175,000 in a debt service sinking fiscal agent account for future payment of the bonds with US Bank, the fiscal agent. The fiscal agent account will be invested with all of the proceeds to be used for the final payoff of the bonds in 2022. Along with the investment earnings of the fiscal agent account, the School District is required to place \$21,932, annually into the debt service sinking fiscal agent account that will be used for the final bond repayment in 2022. The value of the fiscal agent account is recorded as restricted investments with fiscal agents in the debt service fund. The QZAB's had issuance costs of \$28,000 which were reported as deferred charges and amortized over the life of the bonds using the straight-line method. The amortization for fiscal year 2011 was \$2,000.

*2011 Refunding General Obligation Bonds* - On May 19, 2011, the School District issued \$2,015,000 of general obligation bonds. The bonds were issued to fully refund \$435,000 of outstanding 1993 Steubenville High School Addition and Improvement Series A General Obligation Bonds and to partially refund \$1,655,000 of 2000 School Facilities General Obligation Bonds. The bonds were issued for a 12 year period with final maturity at December 1, 2022. At the date of refunding, \$2,166,484 (including premium and after underwriting fees, and other issuance costs) was used to call and fully repay all refunded bonds. As of June 30, 2011 all bonds were fully repaid.

These refunding bonds were issued with a premium of \$144,324, which is reported as an increase to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. There was no amortization of the premium for fiscal year 2011, due to the refunding occurring in May. The issuance costs of \$67,840 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. There was no amortization of the issuance costs for fiscal year 2011, due to the refunding occurring in May. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$76,484, which was fully recognized in fiscal year 2011 as all refunded bonds were called and fully repaid. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$308,501. The issuance resulted in an economic gain of \$262,567.

The 2011 bond issue consists of serial and capital appreciation bonds, \$2,015,000, and \$75,000, respectively. The capital appreciation bonds for this issue mature December 1, 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$270,000. Due to the bonds being issued in May, no accretion was recorded for fiscal year 2011, leaving a total bond liability of \$75,000.

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Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2011, including accreted interest of \$491,738 are as follows:

Fiscal Year	Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2012	\$0	\$169,838	\$103,262	\$491,738	\$103,262	\$661,576
2013	600,000	154,088	0	0	600,000	154,088
2014	625,000	121,932	0	0	625,000	121,932
2015	660,000	88,201	0	0	660,000	88,201
2016	695,000	52,632	0	0	695,000	52,632
2017	655,000	17,194	0	0	655,000	17,194
Totals	<u>\$3,235,000</u>	<u>\$603,885</u>	<u>\$103,262</u>	<u>\$491,738</u>	<u>\$3,338,262</u>	<u>\$1,095,623</u>

Principal and interest requirements to retire the 2000 Classroom Facilities Variable Interest Bonds outstanding at June 30, 2011, including accreted interest of \$395,000 are as follows:

Capital Appreciation Bonds		
Fiscal Year	Principal	Accretion
2012	\$77,960	\$92,040
2013	73,590	96,410
2014	68,958	101,042
2015	64,492	105,508
Totals	<u>\$285,000</u>	<u>\$395,000</u>

Principal and Interest requirements to retire the 2011 Refunding General Purpose Bonds outstanding at June 30, 2011 are as follows:

Fiscal Year	Serial Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2012	\$110,000	\$54,125	\$0	\$0	\$110,000	\$54,125
2013	100,000	51,312	0	0	100,000	51,312
2014	100,000	50,162	0	0	100,000	50,162
2015	100,000	48,660	0	0	100,000	48,660
2016	265,000	45,160	0	0	265,000	45,160
2017-2021	890,000	160,051	75,000	195,000	965,000	355,051
2022-2023	450,000	16,615	0	0	450,000	16,615
Totals	<u>\$2,015,000</u>	<u>\$426,085</u>	<u>\$75,000</u>	<u>\$195,000</u>	<u>\$2,090,000</u>	<u>\$621,085</u>

The School District's overall legal debt margin was \$10,883,986 with an unvoted debt margin of \$167,075 at June 30, 2011.

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**Bond Insurance and Rating**

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

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

*2011 Refunding General Obligation Bonds* – As part of the bond issuance, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned an initial A1 underlying rating and Aa2 enhanced rating with negative outlook from Moody’s Investors Service for the bond issuance. 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.

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

*Jefferson County Joint Vocational School* – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2011, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

*Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments* - 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 possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2011, the total amount paid to OME-RESA from the School District was \$139,363 for cooperative gas purchasing services, \$19,995 for technology services and \$56,210 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.

*Coalition of Rural and Appalachian Schools (CORAS)* - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District’s membership fee was \$325 for fiscal year 2011.

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

**NOTE 15 – PUBLIC ENTITY POOL**

**Insurance Purchasing Pool**

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

**NOTE 16 - 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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Restricted Balance as of June 30, 2010	\$0	\$0	\$85,496
Current Year Set-aside Requirement	325,761	325,761	0
Current Year Offsets	0	(136,458)	0
Current Year Qualifying Expenditures	(334,377)	(333,737)	0
Totals	<u>(\$8,616)</u>	<u>(\$144,434)</u>	<u>\$85,496</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Restricted Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$85,496</u>

The School District had qualifying disbursements from the current fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, House Bill 30, the “Unfunded Mandates Relief Act”, eliminates the requirement that school districts annually set aside an amount per pupil into a textbook and instructional materials fund.

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

The total restricted balance for the three set asides at June 30, 2011 was \$85,496.

**NOTE 17 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

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

**Steubenville City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**NOTE 18 – SUBSEQUENT EVENTS**

**A. OME-RESA Health Benefits Plan Consortium**

Effective July 1, 2011, the School District Board of Education has approved membership in the OME-RESA Self Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, to provide medical, dental, and prescription drug coverage to their employees.

**B. Investments**

On August 15, 2011, the \$1,831,945 Federal National Mortgage Association Note held by the School District matured. The School District subsequently purchased a Federal Home Loan Bank Note with a par value of \$1,979,000 at 98.65 percent for \$1,952,350, which has a maturity date of February 15, 2012, and carries a credit rating of Aaa.

**C. 2005 Qualified Zone Academy Bonds**

The School District made the required annual debt service sinking escrow payment and deposited in the Debt Service Escrow account in the amount of \$120,810 on August 15, 2011.

**D. Approval of Labor Contract**

On September 16, 2011, the Board of Education approved a resolution ratifying the contract between the Steubenville Board of Education and the Steubenville Education Association. The contract is effective from September 1, 2011 through August 31, 2014.

**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY  
FEDERAL AWARDS EXPENDITURES SCHEDULE  
JUNE 30, 2011**

Federal Grantor/Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Expenditures
<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			31,912	31,912
Cash Assistance:				
National School Lunch Program	04-PU-11	10.555	543,947	543,947
National School Breakfast Program	05-PU-11	10.553	204,768	204,768
Cash Assistance Subtotal			748,715	748,715
Total U.S. Department of Agriculture - Nutrition Cluster (Cash and Non-Cash)			780,627	780,627
<b>U.S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Impact Aid		84.041	7,245	0
			7,245	0
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2011	84.010	1,132,921	1,132,921
Title I D Delinquent	C1-SD-2011		121,773	121,773
ARRA	2010	84.389	32,179	0
	2011		370,607	370,607
	2010		1,649	0
Total Title I - Grants to Local Education Agencies			1,659,129	1,625,301
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-2011	84.027	623,302	623,602
ARRA		84.391	15,966	0
ARRA			392,535	392,535
Special Education - Preschool Grant	PG-S1-2010	84.173	1,735	
ARRA	PG-S1-2011		28,364	28,364
ARRA	2010	84.392	3,286	
ARRA	2011		7,996	7,996
Total Special Education Cluster			1,073,184	1,052,497
Title II-A Improving Teacher Quality Program	TR-S1-2011	84.367	238,046	238,046
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2010	84.186	123	0
Education Technology State Grants Title II-D	TJ-S1-2011	84.318	3,788	3,788
ARRA Budget Stabilization	2011	84.394	911,649	911,649
ARRA Race to the Top		84,395	182,076	182,076
Passed Through Success for All Foundation				
ARRA Success for All	2011	84.396	146,498	146,498
Total Department of Education			4,221,738	4,159,855
Total Federal Awards			\$5,002,365	\$4,940,482

See the notes to the Federal Awards Expenditures schedule.

**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE  
JUNE 30, 2011**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. CHILD NUTRITION CLUSTER**

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

**C. FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities. At June 30, 2011, the District had no significant food commodities in inventory.





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2011, in which we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matters that we reported to the District's management in a separate letter dated November 23, 2011.

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

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

**Dave Yost**  
Auditor of State

November 23, 2011



# Dave Yost • Auditor of State

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

Steubenville City School District  
Jefferson County  
P.O. Box 189  
Steubenville , Ohio 43952

To the Board of Education:

### Compliance

We have audited the compliance of Steubenville City School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Steubenville City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in findings 2011-01 and 2011-02 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding period of availability applicable to its Title I and Special Education Cluster grants and cash management applicable to its State Fiscal Stabilization grant major federal programs. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Steubenville City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance and to test an report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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 significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. 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 compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2011-02 to be material weaknesses.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance not requiring inclusion in this report that we reported to the district's management in a separate letter dated November 23, 2011.

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



**Dave Yost**  
Auditor of State

November 23, 2011

**STEUBENVILLE CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified - Title I and Special Education Cluster, State Fiscal Stabilization Fund Unqualified – Nutrition Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I 84.010,84.389 Special Education Cluster 84.027, 84.391, 84.173 and 84.392 Nutrition Cluster 10.555 and 10.553 State Fiscal Stabilization Fund Grant 84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

**FINDING NUMBER 2011-01**

**Period of Availability**

<b>Finding Number</b>	2011-01
<b>CFDA Title and Number</b>	Title I 84.010, Special Education Cluster 84.027 and 84.173
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost/Non-Compliance/Material Weakness**

**34 CFR Section 80.23** states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

The consolidated grant agreement specified the period of availability for both the Title I - Grants to Local Education Agencies and the Special Education grants as beginning on July 1, 2011.

During fiscal year 2011, the District charged \$118,519 in payroll expenses for amounts earned prior to July 1, 2010 to the 2011 Title I Grant. The District also charged \$14,768 in payroll expenses for amounts earned prior to July 1, 2010 to the 2011 Special Education Grants. These unallowable amounts, by grant, are listed in the following table.

Grant	CFDA #	Total Charged to Grant outside of Period of Availability
Title I - Grants to Local Educational Agencies	84.010	\$107,860
Title I D Delinquent	84.010	10,659
Special Education Grants To States (IDEA Part B)	84.027	14,446
Special Education - Preschool Grant	84.173	322
Total Outside of Period of Availability		\$133,287

All programs listed above are major federal programs.

The amount charged for amounts incurred outside of the period of availability are in excess of \$10,000 and therefore considered questioned costs under OMB Circular A133 Section \_\_\_\_\_.510(a)(3).

The District should review payroll costs charged to the grant programs to assure that all transactions are for obligations of the grant period. The District should also evaluate its system of internal controls and implement a control to prevent or detect material noncompliance with the period of availability compliance requirements. By taking such steps the District will ensure compliance with federal requirements and prevent such costs from being questioned in future grant periods.

**Official's Response:**

The above expenditures are salaries and fringes which were earned in Fiscal Year 2010 but paid in July and August of Fiscal Year 2011. This has been corrected in July of 2011 for fiscal year 2012 and will not occur again.

**FINDING NUMBER 2011-02**

**Cash Management**

<b>Finding Number</b>	2011-02
<b>CFDA Title and Number</b>	State Fiscal Stabilization Fund 84.294
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Non-compliance/Material Weakness**

**34 CFR 80.20 (b)(7)** states in part: "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." Procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

In the State Fiscal Stabilization Fund (CFDA #84.394), the District maintained balances averaging \$64,000/ month. Interest earned on these funds using the U.S Treasurer Current Value of Funds rate total \$266 as of June 30, 2011, An amount of \$100 per entity per year may be retained under 34 CFR Section 80,21 for administrative expenses. Interest earned in excess of that must be remitted to the U.S Department of Education via a check sent to the Ohio Department of Education.

By not minimizing the time elapsing between the transfer of funds from the U.S. Treasurer and disbursement by grantees and subgrantees, future funding to the District could be at risk. The District should take steps to spend federal monies within the month that they are received.

**Officials' Response**

The State Fiscal Stabilization Revenue was received automatically on the district's foundation payment and not as a requested advance by the district. In December or 2010 the district arranged to expend its regular payments within the month received. In May of 2011, the District unexpectedly received an additional \$93,450.64 and was unable to spend it down on appropriate expenditures until the following month.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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 Steubenville City School District (the District) 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 of Education amended its anti-harassment policy at its meeting on September 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

November 23, 2011

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293  
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# Dave Yost • Auditor of State

**STEUBENVILLE CITY SCHOOL DISTRICT**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 8, 2012**