



Mary Taylor, CPA
Auditor of State

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio, as of June 30, 2008, and the 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 January 21, 2009, 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

January 21, 2009

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2008 are as follows:

- Net assets of governmental activities increased \$762,737.
- General revenues accounted for \$14,754,213 in revenue or 61 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$9,371,857 or 39 percent of total revenues of \$24,126,070.
- Total assets decreased \$642,819. Current assets decreased by \$14,981,457 primarily due to a decrease in pooled cash and cash equivalents and investments from the local share of the classroom facilities project. Capital assets also increased \$14,338,638 due primarily to capital assets associated with the classroom facilities project which was offset by annual depreciation expense on depreciable capital assets.
- The School District had \$23,363,333 in expenses related to governmental activities; only \$9,371,857 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$14,754,213 were adequate to provide for these programs.
- The School District has four major funds, the General Fund, Debt Service Fund, Permanent Improvement Capital Projects Fund, and Classroom Facilities Capital Projects Fund. The General Fund had \$16,967,695 in revenues and \$16,012,468 in expenditures. Including other financing sources (uses), the General Fund's balance increased \$183,952. The Debt Service Fund had \$1,334,417 in revenues and \$1,118,952 in expenditures. Including transfers in, the Debt Service Fund's balance increased \$412,397. The Permanent Improvement Fund had \$212,737 in revenues and \$310,174 in expenditures. Including other financing sources (uses), the Permanent Improvement Fund's balance increased \$427,563. The Classroom Facilities Fund had \$1,628,694 in revenues and \$14,457,825 in expenditures. Including transfers in, the Classroom Facilities Fund balance decreased \$12,079,131.

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

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

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 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund, permanent improvement fund, and classroom facilities 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, 2008
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 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		
	2008	2007	Change
Assets			
Current and Other Assets	\$26,496,337	\$41,477,794	(\$14,981,457)
Capital Assets	46,008,517	31,669,879	14,338,638
Total Assets	72,504,854	73,147,673	(642,819)
Liabilities			
Long-Term Liabilities	13,885,400	13,794,924	90,476
Other Liabilities	7,202,798	8,698,830	(1,496,032)
Total Liabilities	21,088,198	22,493,754	(1,405,556)
Net Assets			
Invested in Capital Assets, Net of Related Debt	39,373,377	24,262,003	15,111,374
Restricted	8,609,540	22,557,661	(13,948,121)
Unrestricted	3,433,739	3,834,255	(400,516)
Total Net Assets	\$51,416,656	\$50,653,919	\$762,737

Total assets decreased \$642,819. Current assets decreased by \$14,981,457 primarily due to a decrease in pooled cash and cash equivalents and investments from the local share of the classroom facilities project. Capital assets also increased \$14,338,638 due to capital assets related to the classroom facilities project which was offset by annual depreciation expense on depreciable capital assets.

Total liabilities decreased \$1,405,556, due primarily to a decrease for contracts and retainage payable related to the construction project as well as scheduled debt service payments on long-term debt which was offset by an increase in long-term liabilities due to issuance of a \$700,000 Qualified Zone Academy Bond.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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Table 2 shows the changes in net assets for the fiscal year 2008 compared to fiscal year 2007.

Table 2
Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services	\$2,870,505	\$2,605,411	\$265,094
Operating Grants and Contributions	6,300,209	5,995,302	304,907
Capital Grants and Contributions	201,143	20,388	180,755
Total Program Revenues	9,371,857	8,621,101	750,756
General Revenues			
Property Taxes	4,899,488	4,960,921	(61,433)
Grants and Entitlements not Restricted to Specific Programs	8,748,950	9,161,760	(412,810)
Others	1,105,775	1,391,209	(285,434)
Total General Revenues	14,754,213	15,513,890	(759,677)
Total Revenues	24,126,070	24,134,991	(8,921)
Program Expenses			
Instruction			
Regular	9,095,019	9,203,206	(108,187)
Special	3,556,769	3,017,101	539,668
Vocational	1,079,293	890,246	189,047
Support Services			
Pupil	1,103,112	1,134,605	(31,493)
Instructional Staff	746,020	730,879	15,141
Board of Education	35,878	29,900	5,978
Administration	1,892,430	1,726,958	165,472
Fiscal	409,495	370,730	38,765
Business	178,023	209,999	(31,976)
Operation and Maintenance of Plant	2,282,366	2,249,915	32,451
Pupil Transportation	381,637	321,295	60,342
Central	17,553	18,696	(1,143)
Operation of Non-Instructional Services	452,748	620,239	(167,491)
Food Service Operations	890,026	770,308	119,718
Extracurricular Activities	630,311	608,765	21,546
Interest and Fiscal Charges	612,653	606,172	6,481
Total Expenses	23,363,333	22,509,014	854,319
Increase in Net Assets	762,737	1,625,977	(863,240)
Net Assets Beginning of Year	50,653,919	49,027,942	1,625,977
Net Assets End of Year	<u>\$51,416,656</u>	<u>\$50,653,919</u>	<u>\$762,737</u>

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In 2008, 20 percent of the School District's revenues were from property taxes, and 36 percent were from unrestricted grants and entitlements.

Instructional programs comprise approximately 59 percent of total governmental program expenses and reflected a \$620,528 increase from fiscal year 2007. Overall, program expenses of the School District increased by \$854,319, with the largest increases being reflected in special instruction, vocational instruction, support service administration, and food service operations. These increases were offset by reductions in regular instruction and operation of non-instructional services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2008 compared to fiscal year 2007. 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Instruction				
Regular	\$9,095,019	\$9,203,206	\$4,728,162	\$5,209,349
Special	3,556,769	3,017,101	1,440,594	1,362,028
Vocational	1,079,293	890,246	928,739	749,463
Support Services				
Pupil	1,103,112	1,134,605	690,527	731,328
Instructional Staff	746,020	730,879	255,540	209,308
Board of Education	35,878	29,900	35,878	29,900
Administration	1,892,430	1,726,958	1,734,754	1,537,554
Fiscal	409,495	370,730	407,539	368,679
Business	178,023	209,999	178,023	209,999
Operation and Maintenance of Plant	2,282,366	2,249,915	2,257,954	2,210,377
Pupil Transportation	381,637	321,295	374,649	310,834
Central	17,553	18,696	8,262	11,088
Operation of Non-Instructional Services	452,748	620,239	13,648	72,646
Food Service Operations	890,026	770,308	32,906	(14,241)
Extracurricular Activities	630,311	608,765	291,648	283,429
Interest and Fiscal Charges	612,653	606,172	612,653	606,172
Total Expenses	<u>23,363,333</u>	<u>22,509,014</u>	<u>\$13,991,476</u>	<u>\$13,887,913</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 60 percent of expenses are supported through taxes and other general revenues.

The School District Funds

Information about the School District funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. Total Governmental funds had \$27,741,608 in revenues and other financing sources and \$38,620,615 in expenditures and other financing uses. Total Governmental fund's balance decreased \$10,879,007 primarily due to the construction of the new facilities.

Steubenville City School District
Management's Discussion and Analysis
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Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal 2008 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There no were significant changes between the original and final budget. The actual results of operations were significantly different than budgeted amounts as spending in most categories were lower than budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$46,008,517 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2008, the School District had \$12,898,669 in bonds outstanding.

Table 4
Outstanding Debt at Year End
Governmental Activities

	2008	2007
1993 High School Addition and Improvement Serial Bonds	\$565,000	\$605,000
1998 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	5,105,278	5,447,706
2000 School Facilities Serial, Term, and Capital Appreciation Bonds	2,598,151	2,705,597
2005 Qualified Zone Academy Bonds	3,930,240	3,930,240
2007 Qualified Zone Academy Bonds	700,000	0
Total	\$12,898,669	\$12,688,543

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

Economic Factors

In fiscal year 2007-2008, the Steubenville City School District entered another phase of its transition plan for the educational remodeling and restructuring of its buildings and programs. The plan was begun in July of 2005 when the District approved an Ohio School Facility Commission (OSFC) Project Agreement and accepted a master plan for Project B.E.S.T. (Building Excellent Schools for Tomorrow). Plans were finalized when Steubenville City School District issued a Qualified Zone Academy Bond (QZAB), an interest-free loan for 16 years, in the amount of \$3,930,240. Through QZAB funds, as well as through additional funds received from donations and School District allocation, the School District was able to meet the 23% local share of funding needed to proceed with the OSFC project. Project B.E.S.T. entails not only the remodeling of the high school, but also consolidation of the elementary schools and restructuring of the middle school.

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

In August of 2006, the School District entered into agreement with Bank of America and US Bank for the purpose of acquiring funding for the QZAB. Funds are earmarked for the renovation of the two qualifying schools, Garfield East Elementary and Steubenville High School. Additionally, using allocated District monies, property at the west end of town was purchased from the City of Steubenville and will be the future site of the Pugliese West Elementary School. Construction at the Garfield East Elementary School was completed in December of 2007, at which time Roosevelt School was closed. When the students and staff from Roosevelt returned from their Christmas break in January of 2008, they occupied the new East Elementary School for the first time. Steubenville High and West Elementary Schools are slated for completion in December of 2008.

A second QZAB award was granted to the School District in 2007 in the amount of \$700,000, which allowed the School District to move forward with its plans to renovate the high school auditorium. In January of 2008, an architectural firm was hired, and initial planning was undertaken for the auditorium project, which included renovations such as an updated sound system and new seating.

Other renovations to School District facilities during the 2007-2008 school year included: installation of school zone traffic markings for the Pugliese West Elementary School and chimney repairs and extensive Weight Room renovations at Steubenville High School. The weight room project, which included the purchase of state-of-the-art equipment, was funded mainly through donations to the athletic program from "Big Red" supporters.

In addition to the building project improvements undertaken during fiscal year 2007-2008, the School District also succeeded in improving its educational programs as well. The Success for All programs, which continues to be implemented in our School District, has aided students in their achievement both on the state proficiency tests and academic programs. This year, the School District received an effective rating on the State Report Card, meeting twenty-four of the thirty indicators. Additionally, the School District's performance index was a 97.1, marking the fourth consecutive year that the District reached in the high nineties. School District Destination Imagination teams were also honored with local and regional accolades for their performances at competition.

During the 2007-2008 school year, the School District also underwent an audit review of its federal programs by the Ohio Department of Education (ODE), and the School District received a commendable audit report for program implementation and budget management.

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 Theresa DeCaria, Treasurer/CFO at Steubenville City School District, 1400 West Adams Street, Steubenville, Ohio 43952.

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Steubenville City School District
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,323,499
Intergovernmental Receivable	355,062
Accrued Interest Receivable	14,424
Investments in Segregated Accounts	4,943,187
Prepaid Items	59,630
Materials and Supplies Inventory	22,054
Property Taxes Receivable	6,103,575
Investments with Fiscal Agents	1,535,373
Deferred Charges	139,533
Non-Depreciable Capital Assets	25,000,754
Depreciable Capital Assets, Net	21,007,763
<i>Total Assets</i>	72,504,854
Liabilities	
Accounts Payable	24,809
Accrued Wages and Benefits Payable	1,552,879
Intergovernmental Payable	466,528
Contracts Payable	373,159
Vacation Benefits Payable	21,438
Matured Severance Payable	17,096
Accrued Interest Payable	25,404
Retainage Payable	306,914
Claims Payable	481,484
Deferred Revenue	3,933,087
Long-Term Liabilities:	
Due Within One Year	1,025,234
Due In More Than One Year	12,860,166
<i>Total Liabilities</i>	21,088,198
Net Assets	
Invested in Capital Assets, Net of Related Debt	39,373,377
Restricted for:	
Debt Service	3,379,829
Capital Outlay	2,744,164
Budget Stabilization	85,496
Bus Purchases	77,501
State Programs	52,988
Federal Programs	68,378
Food Service	163,724
Preschool Programs	254,538
Classroom Facilities Maintenance	1,062,911
Other Purposes	720,011
Unrestricted	3,433,739
<i>Total Net Assets</i>	\$51,416,656

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$9,095,019	\$2,206,649	\$1,965,208	\$195,000	(\$4,728,162)
Special	3,556,769	170,367	1,945,808	0	(1,440,594)
Vocational	1,079,293	0	150,554	0	(928,739)
Support Services:					
Pupil	1,103,112	0	412,585	0	(690,527)
Instructional Staff	746,020	31,930	458,550	0	(255,540)
Board of Education	35,878	0	0	0	(35,878)
Administration	1,892,430	0	157,676	0	(1,734,754)
Fiscal	409,495	1,904	52	0	(407,539)
Business	178,023	0	0	0	(178,023)
Operation and Maintenance of Plant	2,282,366	22,545	1,867	0	(2,257,954)
Pupil Transportation	381,637	0	845	6,143	(374,649)
Central	17,553	0	9,291	0	(8,262)
Operation of Non-Instructional Services	452,748	0	439,100	0	(13,648)
Food Service Operations	890,026	132,864	724,256	0	(32,906)
Extracurricular Activities	630,311	304,246	34,417	0	(291,648)
Interest and Fiscal Charges	612,653	0	0	0	(612,653)
<i>Total Governmental Activities</i>	<u>\$23,363,333</u>	<u>\$2,870,505</u>	<u>\$6,300,209</u>	<u>\$201,143</u>	<u>(13,991,476)</u>

General Revenues

Property Taxes Levied for General Purposes	3,782,453
Property Taxes Levied for Debt Service	1,041,418
Property Taxes Levied for Building Maintenance	75,617
Grants and Entitlements not Restricted to Specific Programs	8,748,950
Gifts and Donations	120,585
Investment Earnings	846,613
Miscellaneous	138,577
<i>Total General Revenues</i>	<u>14,754,213</u>
Change in Net Assets	762,737
<i>Net Assets Beginning of Year</i>	<u>50,653,919</u>
<i>Net Assets End of Year</i>	<u>\$51,416,656</u>

See accompanying notes to the basic financial statements.

Stebenville City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$3,683,367	\$1,471,462	\$1,602,268	\$441,641	\$3,175,709	\$10,374,447
Investments In Segregated Accounts	0	0	717,237	4,225,950	0	4,943,187
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	162,997	0	0	306,914	0	469,911
Investments with Fiscal and Escrow Agents	0	1,535,373	0	0	0	1,535,373
Receivables:						
Property Taxes	4,757,355	1,253,415	0	0	92,805	6,103,575
Intergovernmental	151,156	0	0	203,906	0	355,062
Accrued Interest	14,424	0	0	0	0	14,424
Prepaid Items	49,630	0	0	0	10,000	59,630
Materials and Supplies Inventory	11,517	0	0	0	10,537	22,054
<i>Total Assets</i>	<u>\$8,830,446</u>	<u>\$4,260,250</u>	<u>\$2,319,505</u>	<u>\$5,178,411</u>	<u>\$3,289,051</u>	<u>\$23,877,663</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$10,623	\$0	\$0	\$0	\$14,186	\$24,809
Contracts Payable	0	0	0	373,159	0	373,159
Accrued Wages and Benefits	1,331,587	0	0	0	221,292	1,552,879
Matured Severance Payable	17,096	0	0	0	0	17,096
Intergovernmental Payable	390,309	0	0	0	76,219	466,528
Retainage Payable	0	0	0	306,914	0	306,914
Deferred Revenue	4,573,926	1,150,276	0	123,906	85,509	5,933,617
<i>Total Liabilities</i>	<u>6,323,541</u>	<u>1,150,276</u>	<u>0</u>	<u>803,979</u>	<u>397,206</u>	<u>8,675,002</u>
Fund Balances						
Reserved for Encumbrances	298,366	0	349,074	3,949,777	666,859	5,264,076
Reserved for Property Taxes	349,009	103,139	0	0	7,296	459,444
Reserved for Budget Stabilization	85,496	0	0	0	0	85,496
Reserved for Bus Purchases	77,501	0	0	0	0	77,501
Unreserved:						
Designated for Budget Stabilization	240,065	0	0	0	0	240,065
Designated for Textbooks	785,613	0	0	0	0	785,613
Designated for Capital Maintenance	39,900	0	0	0	0	39,900
Undesignated, Reported in:						
General Fund	630,955	0	0	0	0	630,955
Special Revenue Funds	0	0	0	0	2,159,456	2,159,456
Debt Service Funds	0	3,006,835	0	0	0	3,006,835
Capital Projects Funds	0	0	1,970,431	424,655	58,234	2,453,320
<i>Total Fund Balances</i>	<u>2,506,905</u>	<u>3,109,974</u>	<u>2,319,505</u>	<u>4,374,432</u>	<u>2,891,845</u>	<u>15,202,661</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,830,446</u>	<u>\$4,260,250</u>	<u>\$2,319,505</u>	<u>\$5,178,411</u>	<u>\$3,289,051</u>	<u>\$23,877,663</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, 2008*

Total Governmental Fund Balances \$15,202,661

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

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 46,008,517

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

Grants	275,062
Property Taxes	1,711,044
Interest	<u>14,424</u>

Total 2,000,530

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and, therefore, are
not reported in the funds. 139,533

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 in the statement of net assets. 1,997,657

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	5,915,000
General Obligation Bonds - Capital Appreciation Bonds	797,935
Compensated Absences	986,731
Vacation Benefits Payable	21,438
Qualified Zone Academy Bonds	4,630,240
Accrued Interest Payable	25,404
Accretion on Capital Appreciation Bonds	<u>1,555,494</u>

Total (13,932,242)

Net Assets of Governmental Activities \$51,416,656

See accompanying notes to the basic financial statements.

Staubenville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2008

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$3,679,672	\$1,019,611	\$0	\$0	\$73,828	\$4,773,111
Intergovernmental	10,442,898	209,085	0	1,353,279	5,158,221	17,163,483
Interest	388,777	105,721	17,237	271,070	49,953	832,758
Tuition and Fees	2,371,954	0	0	0	35,125	2,407,079
Extracurricular Activities	0	0	0	0	289,961	289,961
Rent	1,867	0	0	0	16,699	18,566
Contributions and Donations	2,348	0	195,000	0	118,237	315,585
Charges for Services	0	0	0	0	154,899	154,899
Miscellaneous	80,179	0	500	4,345	53,553	138,577
<i>Total Revenues</i>	<u>16,967,695</u>	<u>1,334,417</u>	<u>212,737</u>	<u>1,628,694</u>	<u>5,950,476</u>	<u>26,094,019</u>
Expenditures						
Current:						
Instruction:						
Regular	6,800,313	0	15,594	0	1,948,286	8,764,193
Special	2,436,894	0	0	0	883,990	3,320,884
Vocational	997,004	0	0	0	8,379	1,005,383
Support Services:						
Pupil	638,114	0	0	0	432,553	1,070,667
Instructional Staff	195,807	0	0	0	493,933	689,740
Board of Education	35,454	0	0	0	0	35,454
Administration	1,570,817	0	0	0	182,550	1,753,367
Fiscal	354,254	27,189	500	0	4,022	385,965
Business	159,322	0	0	0	14,663	173,985
Operation and Maintenance of Plant	2,165,270	0	0	0	100,182	2,265,452
Pupil Transportation	402,182	0	0	0	859	403,041
Central	8,683	0	0	0	8,870	17,553
Operation of Non-Instructional Services	328	0	0	0	486,877	487,205
Food Service Operations	0	0	0	0	870,782	870,782
Extracurricular Activities	248,026	0	0	0	311,775	559,801
Capital Outlay	0	0	266,080	14,457,825	26,543	14,750,448
Debt Service:						
Principal Retirement	0	755,000	0	0	0	755,000
Interest and Fiscal Charges	0	336,763	0	0	0	336,763
Issuance Costs	0	0	28,000	0	0	28,000
<i>Total Expenditures</i>	<u>16,012,468</u>	<u>1,118,952</u>	<u>310,174</u>	<u>14,457,825</u>	<u>5,774,264</u>	<u>37,673,683</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>955,227</u>	<u>215,465</u>	<u>(97,437)</u>	<u>(12,829,131)</u>	<u>176,212</u>	<u>(11,579,664)</u>
Other Financing Sources (Uses)						
Transfers In	0	196,932	0	750,000	0	946,932
Qualified Zone Academy Bonds Issued	0	0	700,000	0	0	700,000
Sale of Capital Assets	657	0	0	0	0	657
Transfers Out	(771,932)	0	(175,000)	0	0	(946,932)
<i>Total Other Financing Sources (Uses)</i>	<u>(771,275)</u>	<u>196,932</u>	<u>525,000</u>	<u>750,000</u>	<u>0</u>	<u>700,657</u>
<i>Net Change in Fund Balances</i>	<u>183,952</u>	<u>412,397</u>	<u>427,563</u>	<u>(12,079,131)</u>	<u>176,212</u>	<u>(10,879,007)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,322,953</u>	<u>2,697,577</u>	<u>1,891,942</u>	<u>16,453,563</u>	<u>2,715,633</u>	<u>26,081,668</u>
<i>Fund Balances End of Year</i>	<u>\$2,506,905</u>	<u>\$3,109,974</u>	<u>\$2,319,505</u>	<u>\$4,374,432</u>	<u>\$2,891,845</u>	<u>\$15,202,661</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, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$10,879,007)

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

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

Capital Outlay	15,304,248	
Depreciation	(961,420)	
Total	14,342,828	

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 (4,190)

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

Property Taxes	126,377	
Grants	(2,108,181)	
Interest	13,347	
Total	(1,968,457)	

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

General Obligation Bonds	755,000	
Total	755,000	

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	(500)	
Accretion of Interest	(265,126)	
Total	(265,626)	

Qualified Zone Academy Bonds Issued is an other financing source in governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (700,000)

Bond Issuance costs are debt service expenditures in governmental funds, but are reported as deferred charges on the statement of activities. 28,000

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 (10,264)

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

Vacation Benefits Payable	(10,156)	
Compensated Absences	119,650	
Total	109,494	

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 are allocated among governmental activities. (645,041)

Change in Net Assets of Governmental Activities \$762,737

See accompanying notes to the basic financial statements.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$3,973,451	\$3,678,436	\$3,678,436	\$0
Intergovernmental	10,227,784	10,442,898	10,442,898	0
Interest	523,565	410,108	410,109	1
Tuition and Fees	2,068,646	2,371,951	2,371,954	3
Rent	22,856	1,867	1,867	0
Contributions and Donations	5,108	2,348	2,348	0
Miscellaneous	67,902	80,175	80,179	4
<i>Total Revenues</i>	<u>16,889,312</u>	<u>16,987,783</u>	<u>16,987,791</u>	<u>8</u>
Expenditures				
Current:				
Instruction:				
Regular	7,396,370	7,543,380	6,933,981	609,399
Special	2,387,528	2,631,730	2,453,172	178,558
Vocational	883,847	1,007,960	994,372	13,588
Support Services:				
Pupil	788,145	815,351	656,127	159,224
Instructional Staff	209,697	229,297	203,670	25,627
Board of Education	80,151	80,101	36,370	43,731
Administration	1,661,074	1,704,974	1,582,824	122,150
Fiscal	403,726	403,626	358,433	45,193
Business	259,192	240,692	195,474	45,218
Operation and Maintenance of Plant	2,660,721	2,581,733	2,365,548	216,185
Pupil Transportation	359,570	492,032	422,910	69,122
Central	26,183	26,183	8,683	17,500
Operation of Non-Instructional Services	0	573	328	245
Extracurricular Activities	267,937	286,475	257,853	28,622
Capital Outlay	24,700	819	0	819
<i>Total Expenditures</i>	<u>17,408,841</u>	<u>18,044,926</u>	<u>16,469,745</u>	<u>1,575,181</u>
Excess of Revenues Over (Under) Expenditures	<u>(519,529)</u>	<u>(1,057,143)</u>	<u>518,046</u>	<u>1,575,189</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,000	657	657	0
Payment to QZAB Escrow Agent	(500,000)	(1,728)	0	1,728
Transfers Out	(884,904)	(1,026,904)	(771,932)	254,972
Advances Out	(5,000)	(19,500)	0	19,500
Total Other Financing Sources (Uses)	<u>(1,388,904)</u>	<u>(1,047,475)</u>	<u>(771,275)</u>	<u>276,200</u>
<i>Net Change in Fund Balance</i>	<u>(1,908,433)</u>	<u>(2,104,618)</u>	<u>(253,229)</u>	<u>1,851,389</u>
<i>Fund Balance Beginning of Year</i>	<u>3,498,169</u>	<u>3,498,169</u>	<u>3,498,169</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>293,153</u>	<u>293,153</u>	<u>293,153</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,882,889</u></u>	<u><u>\$1,686,704</u></u>	<u><u>\$3,538,093</u></u>	<u><u>\$1,851,389</u></u>

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2008

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,479,141
Current Liabilities	
Claims Payable	<u>481,484</u>
Net Assets	
Unrestricted	<u><u>\$1,997,657</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, 2008

	Governmental Activity <hr/> Internal Service Fund <hr/>
Operating Revenues	
Charges for Services	<u>\$2,307,157</u>
Operating Expenses	
Purchased Services	333,556
Claims	<u>2,619,150</u>
<i>Total Operating Expenses</i>	<u>2,952,706</u>
<i>Operating Loss</i>	(645,549)
Non-Operating Revenues	
Interest	<u>508</u>
<i>Change in Net Assets</i>	(645,041)
<i>Net Assets Beginning of Year</i>	<u>2,642,698</u>
<i>Net Assets End of Year</i>	<u><u>\$1,997,657</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, 2008

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,307,157
Cash Payments for Services	(333,556)
Cash Payments for Claims	(2,381,720)
	(408,119)
<i>Net Cash Used for Operating Activities</i>	(408,119)
Cash Flows from Investing Activities	
Interest	508
	508
<i>Net Cash Provided by Investing Activities</i>	508
<i>Net Decrease in Cash and Cash Equivalents</i>	(407,611)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,886,752
<i>Cash and Cash Equivalents End of Year</i>	\$2,479,141
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$645,549)
Increase in Claims Payable	237,430
	237,430
<i>Net Cash Used for Operating Activities</i>	(\$408,119)

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$283,563	\$25,517
Investments	94,127	0
<i>Total Assets</i>	377,690	\$25,517
Liabilities		
Due to Students	0	\$25,517
Net Assets		
Held in Trust for Scholarships	377,690	
<i>Total Net Assets</i>	\$377,690	

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, 2008

	Private Purpose Trust Funds
Additions	
Contributions and Donations	\$89,707
Interest	11,936
Total Additions	101,643
Deductions	
Scholarships Awarded	73,250
<i>Net Change in Fund Balance</i>	28,393
<i>Net Assets Beginning of Year</i>	349,297
<i>Net Assets End of Year</i>	\$377,690

See accompanying notes to the basic financial statements.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 125 non-certificated employees, 187 certificated full-time teaching personnel, and 21 administrative employees who provide services to 2,181 students and other community members. The School District currently operates 5 elementary schools, 1 middle school and 1 high school.

Reporting Entity:

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

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

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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, 2008

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

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

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

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

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the local and state share of a school facilities project administered through the Ohio School Facilities Commission. The local share of the project is funded through qualified zone academy bond proceeds.

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

the School District are included on the Statement of Net Assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the total net assets.

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

Steubenville City School District
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For the Fiscal Year Ended June 30, 2008

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

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

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

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 2008, investments were limited to mutual funds, common stock, preferred stock, non-negotiable certificates of deposit, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, money market mutual funds, and STAR Ohio.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$388,777, which includes \$311,023, 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.

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 the purchase of buses, amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments, and amounts required by State Statute to be set-aside by the School District for budget stabilization. See Note 18 for additional information regarding set-asides.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

O. Fund Balance Reserves/Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State Statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for bus purchases is for State grant funds required to be utilized for the purchase of school buses.

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources from local sources restricted to expenditures for student programs.

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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.

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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

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

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and the SERS post-employment healthcare plans in the amount of \$17,639, and \$39,313, respectively, which are the same as the previously reported liabilities.

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

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$183,952
Revenue Accruals	20,096
Expenditure Accruals	(149,006)
Encumbrances	<u>(308,271)</u>
Budget Basis	<u><u>(\$253,229)</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;

Steubenville City School District
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For the Fiscal Year Ended June 30, 2008

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, \$7,628,741 of the School District's bank balance of \$7,928,741 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments

As of June 30, 2008, the School District had the following investments: Star Ohio which is part of the internal investment pool, a Money Market Mutual Fund held in a segregated account that is restricted for construction, a Federal Home Loan Bank Note, a Federal National Mortgage Association Note, and a Money Market Mutual Fund that are held by a Fiscal Agent for future Debt Service, and mutual funds and stock that are donated assets which are held for the private purpose trust fund.

Steubenville City School District
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	Value	Maturity	Total Investments	Rating	Agency
Mutual Funds	\$1,253	**	0.01%	AAA	S&P
Mutual Funds	11,780	**	0.09%	BBB	S&P
Common Stock	81	N/A	0.00%	A+	S&P
Common Stock	17,464	N/A	0.13%	AA-	S&P
Preferred Stock	1,408	N/A	0.01%	B-	S&P
Common Stock	2,091	N/A	0.02%	A-	S&P
Preferred Stock	47,207	N/A	0.35%	BBB	S&P
Common Stock	12,843	N/A	0.10%	BBB	S&P
Money Market Mutual Funds	4,943,187	**	36.61%	Aaa	Moody's
FNMA Note	202,545	12/30/2008	1.50%	Aaa	Moody's
FHLB Note	1,332,828	8/15/2008 ^	9.87%	Aaa	Moody's
STAR Ohio	6,929,247	53.08 Days	55.51%	AAAm	S&P
Totals	<u>\$13,501,934</u>		<u>100.00%</u>		

** Not available to the School District at June 30, 2008.

^ = See subsequent event note (Note 20)

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

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES

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

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

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

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.5 percent and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

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

The amount available as an advance at June 30, 2008 was \$349,009 in the General Fund, \$103,139 in the Debt Service Fund, and \$7,296 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$347,773 in the General Fund, \$100,274 in the Debt Service Fund, and \$7,202 in the Classroom Facilities Maintenance Special Revenue Fund.

Steubenville City School District
Notes to the Basic Financial Statements
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On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified basis the revenue has been deferred.

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

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$157,938,740	83.32%	\$160,968,690	89.33%
Public Utility Personal	10,923,340	5.76%	8,979,720	4.98%
General Business Property	20,691,469	10.92%	10,255,313	5.69%
	\$189,553,549	100.00%	\$180,203,723	100.00%
Tax Rate per \$1,000 of assessed valuation		\$35.35		\$35.35

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,711,044 may not be collected within one year. All other receivables with the exception of the Ohio School Facilities Commission receivable, which is a multiple year project, are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Excess Cost Reimbursement	\$151,156
Ohio School Facilities Receivable	203,906
Total	\$355,062

Stebenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 8 – TRANSFERS

Interfund transfers for the year ended June 30, 2008 consisted of the following:

<u>Transfer from</u>	Transfer to		
	Major Funds		
	Debt Service	Classroom Facilities	Total
General Fund	\$21,932	\$750,000	\$771,932
Permanent Improvement	175,000	0	175,000
Totals	\$196,932	\$750,000	\$946,932

Transfers were used to move receipts from the General Fund to the Debt Service Fund for the annual debt service sinking payment to the 2005 QZAB escrow account. See the Long Term Debt Note for further details. Transfers were used to move receipts from the Permanent Improvement Capital Projects Fund to the Debt Service Fund for the initial payment to the 2007 QZAB escrow debt service sinking account. In addition, the General Fund made transfers to the Classroom Facilities Capital Projects Fund for locally funded initiative projects not covered by the Ohio School Facilities Commission.

NOTE 9 - CAPITAL ASSETS

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

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Nondepreciable Capital Assets:				
Land	\$6,205,876	\$0	\$0	\$6,205,876
Construction in Progress	11,074,696	13,745,899	(6,025,717)	18,794,878
Total Nondepreciable Capital Assets	17,280,572	13,745,899	(6,025,717)	25,000,754
Depreciable Capital Assets:				
Land Improvements	2,071,105	115,519	(15,635)	2,170,989
Buildings and Improvements	20,689,639	7,110,166	(384,717)	27,415,088
Furniture and Equipment	2,105,971	284,245	0	2,390,216
Vehicles	996,077	74,136	(43,678)	1,026,535
Total Depreciable Capital Assets	25,862,792	7,584,066	(444,030)	33,002,828
Accumulated Depreciation:				
Land Improvements	(1,105,360)	(75,955)	11,445	(1,169,870)
Buildings and Improvements	(8,384,284)	(647,534)	384,717	(8,647,101)
Furniture and Equipment	(1,129,327)	(194,514)	0	(1,323,841)
Vehicles	(854,514)	(43,417)	43,678	(854,253)
Total Accumulated Depreciation	(11,473,485)	(961,420)	439,840	(11,995,065)
Total Depreciable Capital Assets, Net	14,389,307	6,622,646	(4,190)	21,007,763
Governmental Capital Assets, Net	\$31,669,879	\$20,368,545	(\$6,029,907)	\$46,008,517

Steubenville City School District
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Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$447,634
Special	122,591
Vocational	70,877
Support Services:	
Pupil	19,426
Instructional Staff	52,188
Board of Education	424
Administration	86,184
Fiscal	8,485
Operation of Maintenance and Plant	35,484
Pupil Transportation	34,198
Extracurricular	43,567
Non Instructional Services	20,015
Food Service Operations	20,347
Total Depreciation Expense	<u><u>\$961,420</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 \$54,560,328. 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 \$1,542.32 for family coverage and \$570.71 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$481,484 reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Steubenville City School District
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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>
2007	\$293,123	\$1,950,709	\$1,999,778	\$244,054
2008	244,054	2,619,150	2,381,720	481,484

For fiscal year 2008 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$161,126, \$173,252 and \$180,814 respectively; 46.88 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad

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

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

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,292,631, \$1,304,265, and \$1,261,267 respectively; 83.51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$6,422 made by the School District and \$16,166 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, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

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Notes to the Basic Financial Statements
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NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

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

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$73,527, \$57,520, and \$63,100 respectively; 46.88 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$11,610, \$11,781, and \$14,391 respectively; 46.88 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Steubenville City School District
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For the Fiscal Year Ended June 30, 2008

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$99,443, \$98,579, and \$99,730 respectively; 83.51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Current policy permits vacation leave to be accumulated up to one year. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 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 14 – CONSTRUCTION COMMITMENT

As of June 30, 2008, the School District had contractual purchase commitments for the school facilities project. The amounts are as follows:

Contractor	Fund	Purchase Commitments	Amounts Paid as of June 30, 2008	Amounts Remaining on Contracts
<u>CAPITALIZED CONTRACTS:</u>				
<u>High School:</u>				
Climatech, Inc - HVAC	OSFC (010)	\$2,891,322	\$2,478,871	\$412,451
Ricciuitti, Balog, & Assoc. - Architect	OSFC (010)	881,856	793,670	88,186
Conti Corporation - Plumbing / Electrical	OSFC (010)	2,612,416	2,175,602	436,814
Desalvo Construction - General Trades	OSFC (010)	3,842,495	2,892,998	949,497
Flag Floors - Flooring	OSFC (010)	139,800	112,070	27,730
Asbestos Abatement/Removal	OSFC (010)	161,027	138,477	22,550
Chimney Repairs - Gobraltar/Allied	OSFC (010)	107,944	48,431	59,513
S.A. Comunale Co. - Fire Protection	OSFC (010)	326,500	254,010	72,490
<u>East Elementary School:</u>				
ACJ Electrict - Electrical	OSFC (010)	842,089	842,089	0
Ricciuitti, Balog, & Assoc. - Architect	OSFC (010)	363,541	355,361	8,180
Flag Floors - Flooring	OSFC (010)	91,768	91,768	0
Kreidler Construction	OSFC (010)	2,887,564	2,887,564	0
Mansuetto - Roofing	OSFC (010)	231,051	231,051	0
Prout - Fire Protection, Plumbing, HVAC	OSFC (010)	1,287,525	1,287,525	0
<u>West Elementary School:</u>				
ACJ Electrict - Electrical	OSFC (010)	866,422	827,789	38,633
Ricciuitti, Balog, & Assoc. - Architect	OSFC (010)	385,299	346,769	38,530
DeGol Carpet - Flooring	OSFC (010)	156,201	114,616	41,585
Desalvo Construction - General Trades	OSFC (010)	4,111,082	3,697,189	413,893
Kalkreuth Roofing - Roofing	OSFC (010)	270,367	266,867	3,500
Komar Plumbing	OSFC (010)	319,421	311,965	7,456
Prout Boiler, Heating - HVAC	OSFC (010)	929,910	881,680	48,230
Fire Protection S.A. Communale	OSFC (010)	79,727	72,689	7,038
<u>Combined:</u>				
PCS - Construction Manager	OFSC (010)	1,454,824	1,250,918	203,906
Microman, Inc. - Video Distriution	OFSC (010)	354,334	286,548	67,786
Southeast Security - Access Control	OFSC (010)	282,440	249,651	32,789
Stanley Security Solutions - Clock System	OFSC (010)	317,000	178,596	138,404
World Radio - Cabling/Data Net/Telephone	OFSC (010)	852,460	733,352	119,108
Furnishings/Equipment	OFSC (010)	829,721	547,837	281,884
Miscellaneous Project Expense	PI (003)	877,526	877,526	0
Total		<u>\$28,753,632</u>	<u>\$25,233,479</u>	<u>\$3,520,153</u>

Steubenville City School District
Notes to the Basic Financial Statements
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NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding			Principal Outstanding		Amounts Due In
	6/30/07	Additions	Deductions	6/30/08	One Year	
<i>1993 High School Addition and Improvements, Series A</i>						
Serial Bonds, \$951,384 @ 5.95%	\$605,000	\$0	\$40,000	\$565,000	\$40,000	
<i>1998 Refunding Bonds, \$10,515,000</i>						
Serial/Term Bonds, \$8,130,000 @ 3.5%-5.25%	3,810,000	0	575,000	3,235,000	0	
Capital Appreciation Bonds, \$512,935 @ 4.4%-4.55%	512,935	0	0	512,935	154,623	
Accretion of Interest, \$1,872,065 @ 13.70-13.75%	1,124,771	232,572	0	1,357,343	610,215	
<i>2000 School Facilities Bonds, \$3,640,000</i>						
Serial/Term Bonds, \$2,960,000 @ 4.4%-5.6%	2,255,000	0	140,000	2,115,000	145,000	
Capital Appreciation Bonds, \$285,000 @ 5.25%-5.5%	285,000	0	0	285,000	0	
Accretion of Interest, \$395,000 @ 7.022%-7.185%	165,597	32,554	0	198,151	0	
<i>2007 Qualified Zone Academy Bonds, \$700,000 @ 0%</i>						
	0	700,000	0	700,000	0	
<i>2005 Qualified Zone Academy Bonds, \$3,930,240 @ 0%</i>						
	3,930,240	0	0	3,930,240	0	
Total Bonds	12,688,543	965,126	755,000	12,898,669	949,838	
Compensated Absences	1,106,381	144,156	263,806	986,731	75,396	
Total General Long-Term Obligations	<u>\$13,794,924</u>	<u>\$1,109,282</u>	<u>\$1,018,806</u>	<u>\$13,885,400</u>	<u>\$1,025,234</u>	

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

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

1998 Refunding General Obligation Bonds - On September 30, 1998, the School District issued \$10,515,000 in general obligation bonds. The bonds refunded \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2022. Principal and accretion outstanding at June 30, 2008 amounted to \$5,105,278, including current year accretion of \$232,572. \$9,653,900 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1993 Series B School Improvement Bonds. As of June 30, 2008 \$400,000 of the refunded bonds remain outstanding and are considered defeased.

Steubenville City School District
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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, 2008 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 \$2,385,000. For fiscal year 2008, \$232,572 was accreted for a total bond liability of \$1,870,278.

2000 School Facilities General Obligation Bonds - On November 1, 2000, the School District issued \$3,640,000 in voted general obligation bonds which included capital appreciation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. Principal and accretion outstanding at June 30, 2008 amounted to \$2,598,151 including current year accretion of \$32,554.

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

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

Steubenville City School District
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The capital appreciation bonds for the 2000 issue mature December 1, 2011 through December 1, 2014. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$680,000. For fiscal year 2008, \$32,554 was accreted for a total bond liability of \$483,151.

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

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

Annual requirements to retire general obligation debt outstanding at June 30, 2008 are as follows:

Principal and interest requirements to retire the 1993 High School Addition and Improvements 5.95% Series A Bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$40,000	\$34,062	\$74,062
2010	45,000	31,406	76,406
2011	45,000	28,594	73,594
2012	50,000	25,625	75,625
2013	55,000	22,344	77,344
2014-2018	<u>330,000</u>	<u>54,065</u>	<u>384,065</u>
Total	<u>\$565,000</u>	<u>\$196,096</u>	<u>\$761,096</u>

Steubenville City School District
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Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2008, including accreted interest of \$1,872,065 are as follows:

Fiscal Year Ending June 30	Principal	Accretion / Interest	Total
2009	\$154,623	\$610,215	\$764,838
2010	135,428	629,410	764,838
2011	119,622	650,216	769,838
2012	103,262	661,576	764,838
2013	600,000	154,088	754,088
2014-2017	<u>2,635,000</u>	<u>279,959</u>	<u>2,914,959</u>
Total	<u><u>\$3,747,935</u></u>	<u><u>\$2,985,464</u></u>	<u><u>\$6,733,399</u></u>

Principal and interest requirements to retire the 2000 Classroom Facilities Variable Interest Bonds outstanding at June 30, 2008, including accreted interest of \$395,000 are as follows:

Fiscal Year Ending June 30	Principal	Accretion / Interest	Total
2009	\$145,000	\$111,518	\$256,518
2010	155,000	104,279	259,279
2011	160,000	96,600	256,600
2012	77,960	184,720	262,680
2013	73,590	189,090	262,680
2014-2018	673,450	625,710	1,299,160
2019-2023	<u>1,115,000</u>	<u>163,100</u>	<u>1,278,100</u>
Total	<u><u>\$2,400,000</u></u>	<u><u>\$1,475,017</u></u>	<u><u>\$3,875,017</u></u>

The School District's overall legal debt margin was \$11,518,895 with an unvoted debt margin of \$168,021 at June 30, 2008.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Jefferson County Joint Vocational School – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district’s elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2008, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) - The Ohio Mid-Eastern Regional Education Service Agency was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton,

Steubenville City School District
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Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2008, the total amount paid to OME-RESA from the School District was \$36,349 for cooperative gas purchasing services and \$15,337 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

East Central Ohio Special Education Regional Resource Center (ECOSERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC. As of July 1, 2008 the ECOSERRC ceased operations.

NOTE 17 – PUBLIC ENTITY POOL

Insurance Purchasing Pool

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

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0	\$85,496
Current Year Set-aside Requirement	279,272	279,272	0
Current Year Offsets	0	(73,734)	0
Qualifying Disbursements	<u>(393,833)</u>	<u>(269,168)</u>	<u>0</u>
Totals	<u>(\$114,561)</u>	<u>(\$63,630)</u>	<u>\$85,496</u>
Allowable Carry Forward for Fiscal Year 2008	(114,561)	0	0
Allowable Carry Forward at June 30, 2007	(350,185)	(3,607,966)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$464,746)</u>	<u>(\$3,607,966)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$85,496</u>

The School District had qualifying disbursements from the current and prior fiscal years that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The School District had offsets, and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The District also had current year capital expenditures from debt proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

NOTE 19 – CONTINGENCIES

A. Grants

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

NOTE 20 – SUBSEQUENT EVENTS

Investments: On August 15, 2008, the \$1,332,828 Federal Home Loan Bank Note held by the School District matured. The School District subsequently purchased a Federal National Mortgage Association Note with a par value of \$1,473,000 at 98.88% for \$1,458,452, which has a maturity date of January 5, 2009, and carries a credit rating of Aaa.

On September 3, 2008 the School District sold the \$4,225,950 money market mutual fund and transferred the proceeds to the general checking account at Chase Bank to close the 2005 QZAB construction account to be used for project expenses.

2005 Qualified Zone Academy Bonds: The School District made the required annual debt service sinking escrow payment that deposited in the Debt Service Escrow account in the amount of \$120,810 on August 15, 2008.

Ohio School Facilities Commission Project Agreement Amendment: The School District Board of Education, at a Regular Board meeting held on July 21 2008, approved an amendment to the project agreement for the West Elementary building in the amount of \$3,296,320, which was to be split, \$2,538,166 state share, and \$758,154 local share. After the amendment, the total revised project was \$31,995,149. As of the date of the financial statements, none of the \$2,538,166 has been received from the State.

Contracts: The School District Board of Education awarded the following contracts for the Classroom Facilities Project:

Description	Contractor	Bid Amount	Date of Regular Board Meeting
General Construction	DeSalvo	\$29,939	July 21,2008
General Construction	Matthews Wall Anchoring	502,500	July 21,2008
General Construction	Grae Con Construction	488,900	August 20 2008
Electrical	ACJ Electric	335,500	August 20 2008
Sound System	Accent Electronic System	96,775	August 20 2008
General Construction	Matthews Wall Anchoring	51,200	August 20 2008
General Construction	Grae Con Construction	162,000	September 17 2008
Repair Elevator	Otis Elevator Company	63,632	October 15 2008

Sale of Property: The Board of Education accepted a bid for the sale of Lincoln Elementary School in the amount of \$ 28,250 at the September 17, 2008 regular board meeting.

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**STEBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2008**

Federal Grantor/Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast	05-PU-08	10.553	\$180,626		\$180,626	
National School Lunch Program	04-PU-08	10.555	500,469		500,469	
Childcare Aid	04-PU-08	10.558	463		463	
Total Nutrition Cluster			681,558		681,558	
Food Distribution Program	03-PU-08	10.550		\$20,115		\$20,115
Total U.S. Department of Agriculture			681,558	20,115	681,558	20,115
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Impact Aid		84.041	6,638			
			6,638		0	
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2007 C1-S1-2008	84.010	932,089		25,004 932,089	
Title I D Delinquent	C1-SD-2007		33,120		33,120	
Total Title I - Grants to Local Education Agencies			965,209		990,213	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-2007 6B-SF-2008	84.027	733,293		16,537 733,293	
Total IDEA - Part B			733,293		749,830	
Special Education - Preschool Grant	PG-S1-2008	84.173	36,074		36,074	
Total Special Education Cluster			769,367		785,904	
Career and Technical Education - Dropout Grant		84.048	60,000		60,000	
Total Career and Technical Education			60,000		60,000	
Innovative Education Program Strategies	C2-S1-2007 C2-S1-2008	84.298	7,808		221 7,808	
Total Innovative Education Program			7,808		8,029	
Title II-A Improving Teacher Quality Program	TR-S1-2007 TR-S1-2008	84.367	235,847		5,436 235,847	
Total Title II-A Improving Teacher Quality Program			235,847		241,283	
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2007 DR-S1-2008	84.186	18,842		409 18,842	
Total Safe and Drug Free Schools and Communities - State Grants			18,842		19,251	
Education Technology State Grants Title II-D	TJ-S1-2008	84.318	9,473		9,473	
Total Education Technology State Grants Title II-D			9,473		9,473	
Total Department of Education			2,073,184		2,114,153	
Total Federal Awards			\$2,754,742	\$20,115	\$2,795,711	\$20,115

See the notes to the Federal Awards Expenditures Schedule.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2008**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

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

C. FOOD DISTRIBUTION

Non monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2008, the District had no significant food commodities in inventory.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted a certain matter that we reported to the District's management in a separate letter dated January 21, 2009.

Steubenville City School District
Jefferson County
Independent Accountants' report on Internal Control
Over Financial reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*

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

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

Mary Taylor, CPA
Auditor of State

January 21, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Steubenville City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

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 expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

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

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

January 21, 2009

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster 10.553 and 10.555 Improving Teacher Quality 84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	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

None



Mary Taylor, CPA
Auditor of State

STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 24, 2009