



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities...17	
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	20
Statement of Fund Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Assets – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	25
Notes to the Basic Financial Statements	27
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures	56
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	59
Schedule of Findings - <i>OMB Circular A-133 Section .505</i>	61
Schedule of Prior Audit Findings - <i>OMB Circular A-133 Section .315 (b)</i>	64
Corrective Action Plan - <i>OMB Circular A-133 Section .315 (c)</i>	65

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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, the business-type activities, each major fund, and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the School District changed its capitalization criteria for governmental activities capital assets from \$500 to \$5,000.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by 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 Schedule of Federal Awards Receipts and Expenditures 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 whole.

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

Betty Montgomery
Auditor of State

December 27, 2004

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

The discussion and analysis of St. Clairsville-Richland City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- Net assets increased \$507,871. Net assets of governmental activities increased \$254,940 which represents a 16.31 percent increase from fiscal year 2003. Net assets of business-type activities increased \$252,931.
- General revenues accounted for \$11,803,669 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, grant, contributions, and interest accounted for \$2,563,070 or 18 percent of total revenues of \$14,366,739.
- Total assets of governmental activities decreased by \$6,019 primarily due to a decrease in current assets and annual depreciation expense, which was offset by additions to capital assets.
- The School District had \$13,488,134 in expenses related to governmental activities; only \$2,198,750 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,789,032 were adequate to provide for these programs.
- The School District had three major funds, the general fund, the debt service fund, and the new facility capital projects fund. The general fund had \$11,693,250 in revenues and \$11,710,989 in expenditures. The general fund's balance decreased \$17,139. The debt service fund had revenues in the amount of \$903,974 and total expenditures in the amount of \$843,692 which resulted in a fund balance increase of \$60,282. The New Facility Fund had \$8,335 in revenues and total expenditures in the amount of \$2,008,882. The New Facility Fund's fund balance decreased \$2,000,547.
- Total net assets for the food service enterprise fund increased. This increase resulted from a capital contribution from Governmental Activities in the amount of \$244,708 which were assets from the new facilities project.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand St. Clairsville-Richland 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 concerns.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of St. Clairsville-Richland City School District, the general fund, the debt service fund, and the new facility capital projects fund are the only major or significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service program is reported as a business-type activity.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the debt service fund, and the new facility capital projects fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the School District as a whole.

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 2004 compared to 2003.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

	Government Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and Other Assets	\$9,383,393	\$10,972,838	(\$96,413)	(\$88,463)	\$9,286,980	\$10,884,375
Capital Assets	9,265,620	7,682,194	269,646	38,252	9,535,266	7,720,446
Total Assets	18,649,013	18,655,032	173,233	(50,211)	18,822,246	18,604,821
Liabilities						
Long-Term Liabilities	8,182,729	8,832,851	7,241	11,484	8,189,970	8,844,335
Other Liabilities	8,648,451	8,259,288	43,197	68,441	8,691,648	8,327,729
Total Liabilities	16,831,180	17,092,139	50,438	79,925	16,881,618	17,172,064
Net Assets						
Invested in Capital						
Assets Net of Debt	2,483,587	349,592	269,646	38,252	2,753,233	387,844
Restricted	425,802	2,708,594	0	0	425,802	2,708,594
Unrestricted (Deficit)	(1,091,556)	(1,495,293)	(146,851)	(168,388)	(1,238,407)	(1,663,681)
Total Net Assets	\$1,817,833	\$1,562,893	\$122,795	(\$130,136)	\$1,940,628	\$1,432,757

Total assets increased \$217,425. Equity in pooled cash and cash equivalents decreased \$2,415,135. Capital assets increased by \$1,814,820 due primarily to construction costs associated with the new facility construction project that entailed the construction of a new “connector” building as well as upgrades to existing facilities. Taxes receivable increased \$746,986.

Net assets of the School District’s governmental activities increased by \$254,940. Over the long-term, the School District needs to hold down expenses as revenues gradually increase with tax growth.

The net assets of the School District business-type activities increased by \$252,931 due primarily to capital contributions. Management is carefully analyzing the food service activity to try to make the fund self-supporting.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

Table 2 shows the changes in net assets for fiscal year 2004 compared to fiscal year 2003.

Table 2 Changes in Net Assets						
	Government Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
<i>Program Revenue</i>						
Charges for Services	\$907,081	\$787,732	\$178,264	\$180,993	\$1,085,345	\$968,725
Operating Grants	1,134,736	1,245,794	186,056	147,118	1,320,792	1,392,912
Capital Grants and Contributions	156,933	60,978	0	0	156,933	60,978
Total Program Revenue	2,198,750	2,094,504	364,320	328,111	2,563,070	2,422,615
<i>General Revenue</i>						
Property Taxes	6,721,378	6,283,348	0	0	6,721,378	6,283,348
Grants and Entitlements	4,940,538	4,193,460	0	0	4,940,538	4,193,460
Investments	21,039	129,650	0	0	21,039	129,650
Other	106,077	152,157	14,637	3,181	120,714	155,338
Total General Revenue	11,789,032	10,758,615	14,637	3,181	11,803,669	10,761,796
Transfers	(244,708)	0	244,708	0	0	0
Total Revenues and Transfers	13,743,074	12,853,119	623,665	331,292	14,366,739	13,184,411
Program Expenses						
Instruction	7,482,879	7,280,289	0	0	7,482,879	7,280,289
<i>Support Services:</i>						
Pupil and Instructional Staff	1,191,579	1,334,708	0	0	1,191,579	1,334,708
Board of education, Administration, Fiscal and Business	1,797,075	1,625,422	0	0	1,797,075	1,625,422
Operation and Maintenance of Plant	1,100,622	1,052,715	0	0	1,100,622	1,052,715
Pupil Transportation	766,255	780,073	0	0	766,255	780,073
Central	169,162	172,062	0	0	169,162	172,062
Operation of Non-Instructional Services	250,590	199,111	0	0	250,590	199,111
Extracurricular	495,588	466,542	0	0	495,588	466,542
Interest and Fiscal Charges	234,384	301,558	0	0	234,384	301,558
Food Service	0	0	370,734	429,939	370,734	429,939
Total Expenses	13,488,134	13,212,480	370,734	429,939	13,858,868	13,642,419
Change in Net Assets	\$254,940	(\$359,361)	\$252,931	(\$98,647)	\$507,871	(\$458,008)

Governmental Activities

During fiscal year 2004, construction was completed for the new school facility project. The School District passed a bond issue in prior years to construct this facility through a 2.94 mill bond levy. The bond levy will generate a total of approximately \$7,945,000 over twelve years.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up approximately 49 percent of revenues for governmental activities for St. Clairsville-Richland City Schools in fiscal year 2004.

Instruction comprises approximately 55 percent of governmental program expenses.

Operating and capital grants and contributions reflect slight decreases. The decrease in operating grants was offset by an increase in capital grants. Capital grants and contributions increased due to the District receiving donated assets from WTRF-TV for studio equipment to be used in the media program. Charges for service increased due to an increase in tuition. Property tax revenues increased due to new construction and the change in the amount available for an advance on the August tax settlement from fiscal year 2003 to fiscal year 2004.

Overall, program expenses increased due to rising costs for health care, utilities, fuel, and expenses related to negotiations including an approved increase of 2.3 percent resulting in increased salary costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services for fiscal year 2004 compared to fiscal year 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Instruction	\$7,482,879	\$7,280,289	\$6,056,711	\$6,271,479
Support Services				
Pupil and Instructional Staff	1,191,579	1,334,708	1,016,868	1,027,491
Board of Education, Administration, Fiscal and Business	1,797,075	1,625,422	1,707,617	1,600,757
Operation and Maintenance of Plant	1,100,622	1,052,715	1,098,270	1,037,078
Pupil Transportation	766,255	780,073	736,767	708,728
Central	169,162	172,062	154,192	131,583
Operation of Non-Instructional Services	250,590	199,111	(10,131)	(29,857)
Extracurricular Activities	495,588	466,542	294,706	184,047
Interest and Fiscal Charges	234,384	301,558	234,384	301,558
Total Expenses	<u>\$13,488,134</u>	<u>\$13,212,480</u>	<u>\$11,289,384</u>	<u>\$11,232,864</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenue support is approximately 84 percent.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

Business-Type Activities

The only business-type activity is the food service operation. This program had revenues excluding transfers, of \$378,957 and expenses of \$370,734 for fiscal year 2004. Management has reviewed this program, and is exploring alternatives to alleviate future support from governmental activities general revenues.

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,908,233 and expenditures of \$15,953,001. The net change in fund balance for the year in the General Fund was a decrease of \$17,139. Property tax revenues increased slightly due to an increase in the revenue recognized for the amount available for an advance at June 30. The \$60,282 increase in fund balance in the debt service fund was due to the increases in property taxes revenues which were offset by debt service principal and interest payments. The New Facility Capital Projects Fund balance decreased by \$2,000,547 due primarily to expenditures being made during fiscal year 2004 for the construction project.

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 2004 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were no significant changes between the original and the final budget.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004 the School District had \$9,535,266 invested in land, buildings, furniture and equipment and vehicles of which \$9,265,620 was in governmental activities. During fiscal year 2004, the new facility project was completed. Table 4 shows fiscal 2004 balances compared to 2003:

Table 4
 Capital Assets Net of Depreciation

	Government Activities		Business-Type Activities	
	2004	2003	2004	2003
Land	\$444,105	\$444,105	\$0	\$0
Construction in Progress	0	6,333,281	0	0
Buildings and Improvements	7,887,907	209,755	0	0
Furniture and Equipment	579,682	266,600	269,646	38,252
Vehicles	353,926	428,453	0	0
Totals	\$9,265,620	\$7,682,194	\$269,646	\$38,252

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

Debt

At June 30, 2004 the School District had \$6,919,111 outstanding in general obligation bonds with \$590,000 due within one year.

Table 5 summarizes bonds and notes outstanding:

Table 5
 Outstanding Debt at Year End

	Government Activities	
	2004	2003
1994 Energy Conservation Notes	\$0	\$42,018
School Facilities Construction and Improvement General Obligation Bonds -		
Serial Bonds	6,800,000	7,325,000
Capital Appreciation Bonds	119,111	119,111
Bond Premium	366,109	410,030
Bond Discount	(22,820)	(25,559)
Capital Appreciation Bond Accretion of Interest	69,170	69,170
Total	\$7,331,570	\$7,939,770

See Note 16 for more detailed information on the School District's debt.

St. Clairsville-Richland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Unaudited

Economic Factors

As the preceding information shows, the School District heavily depends on its property taxpayers. Based on the current financial situation, the School District will be challenged to maintain financial stability and the biggest concerns are fiscal year 2007 and beyond.

The School District is reviewing current programs and will use the retirement of senior staff to reduce costs in the future. The teaching staff is under contract until Fiscal Year 2007 and the School District has realized savings due to the elimination of the self-insured health care option for certified employees as of January 1, 2003, which included changes in benefits and increased deductibles and co-pays in health and prescription insurance coverages. Due to the yearly premium increases we are unsure of savings for each year except on confirmation of rates in December from our insurance carrier. The non-classified union group has been working under the old agreement and it is unforeseen when a new agreement will be reached. Current negotiations are under way with the federal mediator.

The new connector building was built with passage of a bond issue locally and we are using the building. In the past summer, we did not turn on the air conditioning to reduce costs to the School District and will follow the same guidelines for Fiscal year 2005. Recently, we pursued a new house bill 264 Part B project for the School District (Energy Savings) due to the increase in fossil fuels costs and we are near completion as of November 2004. For more information on this project see Note 23 to the basic financial statements. In the past, the School District has covered the costs of the cafeteria with a closed lunch (not allowing students to leave campus for lunch), but as of this year (due to staffing) we were unable to accommodate all students.

Contacting the School District's Financial Management

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

This page intentionally left blank.

St. Clairsville-Richland City School District
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,269,269	\$0	\$1,269,269
Accounts Receivable	845	0	845
Intergovernmental Receivable	204,333	17,937	222,270
Prepaid Items	34,572	0	34,572
Inventory Held for Resale	0	2,574	2,574
Materials and Supplies Inventory	45,461	257	45,718
Internal Balances	117,181	(117,181)	0
Property Taxes Receivable	7,597,474	0	7,597,474
Deferred Charges	114,258	0	114,258
Non-Depreciable Capital Assets	444,105	0	444,105
Depreciable Capital Assets, Net	8,821,515	269,646	9,091,161
<i>Total Assets</i>	<u>18,649,013</u>	<u>173,233</u>	<u>18,822,246</u>
Liabilities			
Accounts Payable	53,958	685	54,643
Accrued Wages and Benefits Payable	1,148,800	24,811	1,173,611
Intergovernmental Payable	369,270	17,701	386,971
Accrued Interest Payable	13,714	0	13,714
Contracts Payable	12,201	0	12,201
Retainage Payable	82,147	0	82,147
Claims Payable	12,460	0	12,460
Matured Severance Payable	112,150	0	112,150
Special Termination Benefits Payable	80,000	0	80,000
Deferred Revenue	6,763,751	0	6,763,751
Long-Term Liabilities:			
Due Within One Year	659,230	1,118	660,348
Due In More Than One Year	7,523,499	6,123	7,529,622
<i>Total Liabilities</i>	<u>16,831,180</u>	<u>50,438</u>	<u>16,881,618</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,483,587	269,646	2,753,233
Restricted for:			
Capital Projects	4,921	0	4,921
Debt Service	211,968	0	211,968
Other Purposes	208,913	0	208,913
Unrestricted (Deficit)	(1,091,556)	(146,851)	(1,238,407)
<i>Total Net Assets</i>	<u>\$1,817,833</u>	<u>\$122,795</u>	<u>\$1,940,628</u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$6,181,458	\$610,050	\$203,653	\$0
Special	1,218,812	57,383	407,670	0
Vocational	82,609	912	0	146,500
Support Services:				
Pupil	639,460	0	17,940	0
Instructional Staff	552,119	0	156,771	0
Board of Education	60,443	0	0	0
Administration	1,276,643	16,622	49,821	0
Fiscal	456,722	0	23,015	0
Business	3,267	0	0	0
Operation and Maintenance of Plant	1,100,622	2,352	0	0
Pupil Transportation	766,255	18,880	175	10,433
Central	169,162	0	14,970	0
Operation of Non-Instructional Services	250,590	0	260,721	0
Extracurricular Activities	495,588	200,882	0	0
Interest and Fiscal Charges	234,384	0	0	0
<i>Total Governmental Activities</i>	13,488,134	907,081	1,134,736	156,933
Business-Type Activities				
Food Service	370,734	178,264	186,056	0
Totals	\$13,858,868	\$1,085,345	\$1,320,792	\$156,933

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets (Deficit) Beginning of Year - Restated (Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$5,367,755)	\$0	(\$5,367,755)
(753,759)	0	(753,759)
64,803	0	64,803
(621,520)	0	(621,520)
(395,348)	0	(395,348)
(60,443)	0	(60,443)
(1,210,200)	0	(1,210,200)
(433,707)	0	(433,707)
(3,267)	0	(3,267)
(1,098,270)	0	(1,098,270)
(736,767)	0	(736,767)
(154,192)	0	(154,192)
10,131	0	10,131
(294,706)	0	(294,706)
(234,384)	0	(234,384)
(11,289,384)	0	(11,289,384)
0	(6,414)	(6,414)
(11,289,384)	(6,414)	(11,295,798)
5,906,571	0	5,906,571
814,807	0	814,807
4,940,538	0	4,940,538
21,039	0	21,039
106,077	14,637	120,714
(244,708)	244,708	0
11,544,324	259,345	11,803,669
254,940	252,931	507,871
1,562,893	(130,136)	1,432,757
<u>\$1,817,833</u>	<u>\$122,795</u>	<u>\$1,940,628</u>

St. Clairsville-Richland City School District
Balance Sheet
Governmental Funds
June 30, 2004

	General	Debt Service	New Facility	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$234,592	\$493,043	\$17,122	\$414,737	\$1,159,494
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	27,628	0	82,147	0	109,775
Receivables:					
Property Taxes	6,688,425	909,049	0	0	7,597,474
Accounts	845	0	0	0	845
Intergovernmental	50,512	0	0	153,821	204,333
Interfund	189,725	0	0	0	189,725
Prepaid Items	34,572	0	0	0	34,572
Materials and Supplies Inventory	45,461	0	0	0	45,461
<i>Total Assets</i>	<u>\$7,271,760</u>	<u>\$1,402,092</u>	<u>\$99,269</u>	<u>\$568,558</u>	<u>\$9,341,679</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$32,990	\$0	\$0	\$20,968	\$53,958
Contracts Payable	0	0	12,201	0	12,201
Accrued Wages and Benefits	1,082,756	0	0	66,044	1,148,800
Matured Severances Payable	112,150	0	0	0	112,150
Special Termination Benefits Payable	80,000	0	0	0	80,000
Interfund Payable	0	0	0	56,850	56,850
Intergovernmental Payable	202,424	0	0	14,389	216,813
Retainage Payable	0	0	82,147	0	82,147
Deferred Revenue	6,368,025	862,076	0	19,905	7,250,006
<i>Total Liabilities</i>	<u>7,878,345</u>	<u>862,076</u>	<u>94,348</u>	<u>178,156</u>	<u>9,012,925</u>
Fund Balances (Deficit)					
Reserved for Encumbrances	148,167	0	70,753	122,809	341,729
Reserved for Property Taxes	320,400	46,973	0	0	367,373
Reserved for Bus Purchases	16,628	0	0	0	16,628
Reserved for Underground Storage Tank	11,000	0	0	0	11,000
Unreserved, Undesignated, Reported in:					
General Fund	(1,102,780)	0	0	0	(1,102,780)
Special Revenue Funds	0	0	0	170,735	170,735
Debt Service Fund	0	493,043	0	0	493,043
Capital Projects Funds	0	0	(65,832)	96,858	31,026
<i>Total Fund Balances</i>	<u>(606,585)</u>	<u>540,016</u>	<u>4,921</u>	<u>390,402</u>	<u>328,754</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$7,271,760</u>	<u>\$1,402,092</u>	<u>\$99,269</u>	<u>\$568,558</u>	<u>\$9,341,679</u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004*

Total Governmental Fund Balances		\$328,754
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are deferred in the funds.		9,265,620
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Grants	19,905	
Property Taxes	466,350	
Total		486,255
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.		(28,154)
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		114,258
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available resources, and therefore, are not reported in the funds.		(152,457)
Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Serial Bonds	6,800,000	
General Obligation Capital Appreciation Bonds	119,111	
Bond Premium	366,109	
Bond Discount	(22,820)	
Capital Appreciation Bond Accretion	69,170	
Compensated Absences	851,159	
Accrued Interest Payable	13,714	
Total		(8,196,443)
<i>Net Assets of Governmental Activities</i>		\$1,817,833

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	New Facility	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$5,994,113	\$809,093	\$	\$	\$6,803,206
Intergovernmental	4,966,389	92,539	0	1,008,778	6,067,706
Interest	9,980	2,342	8,335	382	21,039
Tuition and Fees	687,225	0	0	0	687,225
Extracurricular Activities	0	0	0	217,504	217,504
Rent	2,352	0	0	0	2,352
Contributions and Donations	99	0	0	2,425	2,524
Miscellaneous	33,092	0	0	72,985	106,077
<i>Total Revenues</i>	<u>11,693,250</u>	<u>903,974</u>	<u>8,335</u>	<u>1,302,074</u>	<u>13,907,633</u>
Expenditures					
Current:					
Instruction:					
Regular	6,007,300	0	0	240,435	6,247,735
Special	935,711	0	0	312,413	1,248,124
Vocational	65,986	0	0	0	65,986
Support Services:					
Pupil	617,760	0	0	18,100	635,860
Instructional Staff	373,246	0	0	149,682	522,928
Board of Education	22,191	0	0	0	22,191
Administration	1,191,595	0	0	92,730	1,284,325
Fiscal	410,710	16,914	0	22,988	450,612
Business	3,267	0	0	0	3,267
Operation and Maintenance of Plant	1,043,667	0	0	10,085	1,053,752
Pupil Transportation	665,619	0	0	178	665,797
Central	133,595	0	0	40,134	173,729
Operation of Non-Instructional Services	0	0	0	248,984	248,984
Extracurricular Activities	238,780	0	0	253,709	492,489
Capital Outlay	0	0	2,008,882	0	2,008,882
Debt Service:					
Principal Retirement	0	567,018	0	0	567,018
Interest and Fiscal Charges	1,562	259,760	0	0	261,322
<i>Total Expenditures</i>	<u>11,710,989</u>	<u>843,692</u>	<u>2,008,882</u>	<u>1,389,438</u>	<u>15,953,001</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	(17,739)	60,282	(2,000,547)	(87,364)	(2,045,368)
Other Financing Source					
Sale of Assets	600	0	0	0	600
<i>Net Change in Fund Balances</i>	(17,139)	60,282	(2,000,547)	(87,364)	(2,044,768)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(589,446)</u>	<u>479,734</u>	<u>2,005,468</u>	<u>477,766</u>	<u>2,373,522</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$606,585)</u>	<u>\$540,016</u>	<u>\$4,921</u>	<u>\$390,402</u>	<u>\$328,754</u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds (\$2,044,768)

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 outlay exceeded depreciation in the current period.

Capital Outlay	2,035,500	
Depreciation	(347,496)	
Total	1,688,004	1,688,004

Governmental funds do not report donated assets. They are reported as capital contributions on the statement of activities. 146,500

Governmental activities transferred capital assets to business-type activities on the statement of activities. (244,708)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss on the disposal of fixed assets. (6,370)

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

Grants	15,477	
Property Taxes	(81,828)	
Total	(66,351)	(66,351)

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	525,000	
Energy Conservation Loans	42,018	
Total	567,018	567,018

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and discounts are reported on the statement of activities.

Accrued Interest	(534)	
Discount	(2,739)	
Premium	43,921	
Total	40,648	40,648

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

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables, which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Intergovernmental Payable	(108,352)	
Compensated Absences	41,922	
Total	(66,430)	(66,430)

The internal service fund used by management to charge the costs of insurance to individual funds is included in the statement of activities and not on the governmental fund statements. The net revenue (expense) internal service fund revenues are eliminated. 255,107

Changes in Net Assets of Governmental Activities \$254,940

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$5,850,000	\$5,869,324	\$5,869,324	\$
Intergovernmental	4,792,957	4,923,444	4,923,444	0
Interest	30,000	9,980	9,980	0
Tuition and Fees	696,635	692,225	687,225	(5,000)
Rent	5,000	1,507	1,507	0
Contributions and Donations	0	99	99	0
Miscellaneous	15,720	33,353	33,353	0
<i>Total Revenues</i>	<u>11,390,312</u>	<u>11,529,932</u>	<u>11,524,932</u>	<u>(5,000)</u>
Expenditures				
Current:				
Instruction:				
Regular	6,243,739	6,012,988	6,012,989	(1)
Special	923,538	994,542	994,544	(2)
Vocational	64,641	67,291	67,291	0
Support Services:				
Pupils	591,318	625,952	625,952	0
Instructional Staff	438,683	417,197	417,197	0
Board of Education	24,899	22,805	22,805	0
Administration	1,011,352	1,219,758	1,219,758	0
Fiscal	410,681	402,825	402,825	0
Business	5,120	4,267	4,267	0
Operation and Maintenance of Plant	1,140,363	1,103,623	1,103,623	0
Pupil Transportation	714,032	680,847	680,847	0
Central	159,762	141,664	141,664	0
Extracurricular Activities	255,602	242,610	242,610	0
Debt Service:				
Principal Retirement	0	426,000	426,000	0
Interest and Fiscal Charges	0	1,562	1,562	0
<i>Total Expenditures</i>	<u>11,983,730</u>	<u>12,363,931</u>	<u>12,363,934</u>	<u>(3)</u>
Excess of Revenues Over/(Under) Expenditures	<u>(593,418)</u>	<u>(833,999)</u>	<u>(839,002)</u>	<u>(5,003)</u>
Other Financing Sources (Uses)				
Sale of Assets	0	600	600	0
Tax Anticipation Note Issued	0	426,000	426,000	0
Advances In	90,766	90,766	90,766	0
Advances Out	(100,000)	(189,725)	(189,725)	0
Total Other Financing Sources (Uses)	<u>(9,234)</u>	<u>327,641</u>	<u>327,641</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(602,652)</u>	<u>(506,358)</u>	<u>(511,361)</u>	<u>(5,003)</u>
<i>Fund Balance Beginning of Year</i>	<u>351,527</u>	<u>351,527</u>	<u>351,527</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>244,651</u>	<u>244,651</u>	<u>244,651</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>(\$6,474)</u></u>	<u><u>\$89,820</u></u>	<u><u>\$84,817</u></u>	<u><u>(\$5,003)</u></u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 2004

	Business-Type Activities- Food Service Fund	Governmental Activities- Internal Service Fund
Assets		
Current Assets:		
Intergovernmental Receivable	\$17,937	\$
Inventory Held for Resale	2,574	0
Materials and Supplies Inventory	257	0
<i>Total Current Assets</i>	20,768	0
Noncurrent Assets:		
Depreciable Capital Assets, net	269,646	0
<i>Total Assets</i>	290,414	0
Liabilities		
Current Liabilities:		
Accounts Payable	685	0
Accrued Wages and Benefits Payable	24,811	0
Compensated Absences Payable	1,118	0
Interfund Payable	117,181	15,694
Intergovernmental Payable	17,701	0
Claims Payable	0	12,460
<i>Total Current Liabilities</i>	161,496	28,154
Long-Term Liabilities (Net of Current Portion):		
Compensated Absences Payable	6,123	0
<i>Total Liabilities</i>	167,619	28,154
Net Assets		
Invested in Capital Assets	269,646	0
Unrestricted (Deficit)	(146,851)	(28,154)
<i>Total Net Assets</i>	\$122,795	(\$28,154)

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities- Food Service Fund	Governmental Activities- Internal Service Fund
	<u>Fund</u>	<u>Fund</u>
Operating Revenues		
Sales	\$178,264	\$
Charges for Services	0	750,458
Miscellaneous	14,637	0
<i>Total Operating Revenues</i>	<u>192,901</u>	<u>750,458</u>
Operating Expenses		
Salaries	93,391	0
Fringe Benefits	91,435	0
Purchased Services	2,381	79,683
Materials and Supplies	29,625	0
Cost of Sales	140,588	0
Depreciation	13,314	0
Claims	0	415,668
<i>Total Operating Expenses</i>	<u>370,734</u>	<u>495,351</u>
<i>Operating Income (Loss)</i>	<u>(177,833)</u>	<u>255,107</u>
Non-Operating Revenues		
Federal Donated Commodities	22,681	0
Federal and State Subsidies	163,375	0
<i>Total Non-Operating Revenues</i>	<u>186,056</u>	<u>0</u>
<i>Income Before Contributions</i>	8,223	255,107
Capital Contributions	244,708	0
<i>Change in Net Assets</i>	252,931	255,107
<i>Net Assets (Deficit) Beginning of Year - Restated (Note 3)</i>	<u>(130,136)</u>	<u>(283,261)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$122,795</u></u>	<u><u>(\$28,154)</u></u>

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities- Food Service Fund	Governmental Activities- Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$178,264	\$
Cash Received from Interfund Services Provided	0	750,458
Other Cash Receipts	14,637	0
Cash Payments to Employees for Services	(110,252)	0
Cash Payments for Employee Benefits	(104,746)	0
Cash Payments for Goods and Services	(150,587)	(79,683)
Cash Payments for Claims	0	(439,995)
	(172,684)	230,780
<i>Net Cash Provided by (Used for) Operating Activities</i>		
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	145,438	0
Short-Term Interfund Loan	117,181	15,694
Repayment of Short-Term Interfund Loan	(89,935)	(246,474)
	172,684	(230,780)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>		
<i>Net Increase in Cash and Cash Equivalents</i>	0	0
<i>Cash and Cash Equivalents Beginning of Year</i>	0	0
<i>Cash and Cash Equivalents End of Year</i>	\$0	\$0

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used for) Operating Activities**

Operating Income (Loss)	(\$177,833)	\$255,107
Adjustments:		
Depreciation	13,314	0
Donated Commodities Received During Year	22,681	0
(Increase) Decrease in Assets:		
Inventory Held for Resale	(1,538)	0
Materials and Supplies Inventory	179	0
Increase (Decrease) in Liabilities:		
Accounts Payable	685	0
Accrued Wages and Benefits Payable	(23,995)	0
Compensated Absences Payable	(4,243)	0
Intergovernmental Payable	(1,934)	0
Claims Payable	0	(24,327)
	(172,684)	\$230,780
<i>Net Cash Provided by (Used for) Operating Activities</i>		

Non-Cash Transactions:

Federal Donated Commodities in the amount of \$22,681 were received during the year and recorded as revenue in the food service fund.

Capital assets were purchased by governmental activities during the building project and contributed to the food service fund in the amount of \$244,708 and were recognized as capital contributions.

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Fund	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$10,152	\$108,471
<i>Total Assets</i>	10,152	\$108,471
Liabilities		
Undistributed Monies	0	73,505
Due to Students	0	34,966
<i>Total Liabilities</i>	0	\$108,471
Net Assets		
Held in Trust for Scholarships	10,152	
<i>Total Net Assets</i>	\$10,152	

See accompanying notes to the basic financial statements

St. Clairsville-Richland City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2004

	Private Purpose Trust Fund
Additions	
Interest	\$102
Deductions	
Scholarships Awarded	500
<i>Change in Net Assets</i>	(398)
<i>Net Assets Beginning of Year</i>	10,550
<i>Net Assets End of Year</i>	\$10,152

See accompanying notes to the basic financial statements

This page intentionally left blank.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The first school house was erected in St. Clairsville in 1802. Various buildings were used throughout St. Clairsville until 1868 when a red brick school house was built on the northeast corner of North Market and East Main Street at a cost of \$36,000. It was a 74' x 77' three-story building with a cupola on the top and a sandstone wall around it. It was used until 1916 when it was replaced by the 5/6 building which was located at 106 Woodrow Avenue. In 1871 St. Clairsville High School held its first graduation. Currently, the School District has a high school building, middle school building, elementary building, high school gym, frame building, an administration building, and a transportation building.

The St. Clairsville-Richland City School District (the School District), is a body politic and corporate established for the purpose of exercising rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by state and federal agencies. The Board controls the School District's seven instructional/support facilities staffed by 58 noncertificated, and 110 certificated teaching personnel, and 6 certificated administrators who provide services to approximately 1,500 students and other community members.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure 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 St. Clairsville-Richland City School District, this includes general operations, food service and student related activities of the School District.

Nonpublic Schools Within the School District boundaries, St. Mary's School is operated through the Catholic Diocese, New Covenant Academy is operated through the Friends Church, and Fox Run High School is a privately run non-public high school for troubled children. Current State legislation provides funding to these non-public schools. These monies are received and disbursed by the School District on behalf of the non-public school by the Treasurer of the School District, as directed by the non-public school. These transactions are reported as a governmental activity of the School District.

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

The School District participates in the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECOSERRC) and the Belmont-Harrison

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Career Center, jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Plan, insurance purchasing pools, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool. The School District is associated with the St. Clairsville Public Library which is defined as a related organization. These organizations are presented in Notes 17, 18, and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type 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 and for the single business-type activity of the School District. 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 or business activity 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 and enterprise 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.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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.

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

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

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

New Facility Capital Projects Fund The new facilities capital projects fund is used to account for financial resources to be used for the construction of a new connecting building between the high school and middle school and for renovations to existing buildings.

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

Proprietary Fund Types 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.

Enterprise Fund The enterprise fund is used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the School District accounts for the financial transactions related to the food service operation.

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, surgical, 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and assets held by the School District as an agent for outside activities.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

C. Measurement Focus

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

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

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 activities.

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.

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

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2004, the School District's investments were limited to STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$9,980 which includes \$5,742 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 imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund represent unexpended resources restricted for the purchase of buses and for restricted premiums related to the underground storage tank.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

The only capital assets of the School District are general capital assets. These assets result from expenditures in the governmental funds and are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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 for governmental activities and five hundred dollars for business-type activities. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land	N/A
Buildings and Improvements	15-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-10 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets except for any net residual amounts due between governmental activities and business-type activities, which are presented as internal balances.

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.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the School District's termination policy.

Matured severance payable is accrued as a liability for the portion of compensated absences that has come due for payment.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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. Long-term notes and loans are recognized as a liability on the governmental fund financial statements when due or when resources are available.

M. Bond Premiums, Discounts, Gains/Losses and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs, bond premium 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. Bond discounts are presented as an addition to the face amount of the bonds.

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

The Gain/Loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

N. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

O. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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 activities for state and federal grants restricted to expenditures for specific purposes.

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

Q. Operating Revenues and Expenses

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

R. Contributions of Capital

Contributions of capital in proprietary financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction, or from assets purchased from Governmental Activities for proprietary fund activities.

S. 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.

T. 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.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

U. Budgetary Data

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

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

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE/RESTATEMENT

Change in Accounting Principle For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." This Statement further defines the guidelines of GASB Statement No.14, "The Financial Reporting Entity." At June 30, 2004, there was no effect on fund balances as a result of implementing GASB Statement 39.

Restatement Capital assets were restated due to an increase in the capitalization threshold from \$500 to \$5,000 for governmental activities as well as corrections to prior reported balances for disposals from prior years. These restatements resulted in a decrease of \$774,818 in governmental activities capital assets from \$8,457,012 to \$7,682,194. The effect on net assets as of June 30, 2003 was a decrease from \$2,337,711 to \$1,562,893.

In addition, the business-type activities capital assets were restated due to disposals not reported in the prior year. The restatement resulted in a decrease of \$9,658 in business-type activities capital assets from \$47,910 to \$38,252. The effect on net assets as of June 30, 2003 was a decrease from (\$120,478) to (\$130,136).

NOTE 4 – ACCOUNTABILITY AND FUND DEFICITS

A. Fund Deficits:

At June 30, 2004, the following funds had deficit fund balances/retained earnings:

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	<u>Deficit Fund Balance</u>	<u>Deficit Retained Earnings</u>
General Fund:	\$606,585	
Self Insurance Internal Service Fund		\$28,154

The deficit in the General fund was created by the application of generally accepted accounting principles. The primary cause of the deficit balance is liabilities for accrued wages and benefits. In an attempt to alleviate these deficits, the School District has implemented cost saving measures such as lower cost health insurance coverage.

The deficit in the self insurance internal service fund is due to cash advances and accrued liabilities, as well as a failure to adequately fund this program. The cash advances are reported as payables to other funds. In order to alleviate these deficits the School District has reduced the number of employees currently participating in the self insurance plan. See the subsequent event Note 23 for further details of the School District's response to eliminating the deficits.

B. Compliance:

The following funds had appropriations in excess of estimated revenues and unencumbered balance contrary to section 5705.39, Revised Code.

Fund Type	Estimated Resources and Unencumbered Balances	Appropriations	Excess
Title I Special Revenue Fund	\$394,379	\$415,441	(\$21,062)
School Net Capital Projects Fund	4,600	25,858	(21,258)
Self Insurance Internal Service Fund	997,526	1,236,000	(238,474)

The School District will monitor estimated revenue levels in the future to ensure that appropriations are not in excess of the amount available.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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).

**St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

GAAP Basis	(\$17,739)
Revenue Accruals	(167,718)
Note Proceeds	426,000
Advance In	90,766
Expenditure Accruals	(49,542)
Debt Service Principal	(426,000)
Advances Out	(189,725)
Encumbrances	<u>(177,403)</u>
Budget Basis	<u><u>(\$511,361)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 of Education 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.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$380,252 and the bank balance was \$483,097. Of the bank balance:

1. \$325,791 was covered by federal depository insurance; and
2. \$157,306 was uninsured and uncollateralized. Although all State 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 the FDIC.

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invested in STAROhio during fiscal year 2004, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
	<hr/>
STAROhio	\$1,007,640
	<hr/> <hr/>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
	<hr/>	<hr/>
GASB Statement 9	\$1,387,892	\$0
Investments:		
STAROhio	(1,007,640)	1,007,640
	<hr/>	<hr/>
GASB Statement 3	\$380,252	\$1,007,640
	<hr/> <hr/>	<hr/> <hr/>

NOTE 7 - 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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. 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 Belmont County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004 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, 2004, was \$320,400 in the general fund and \$46,973 in the debt service fund. The amount available as an advance at June 30, 2003, was \$195,611 in the general fund and \$28,752 in the debt service fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second - Half Collections		2004 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$248,700,300	86.12%	\$270,795,770	87.66%
Public Utility Personal	11,366,290	3.94%	11,209,240	3.63%
Tangible Personal Property	28,715,410	9.94%	26,894,949	8.71%
Total	\$288,782,000	100.00%	\$308,899,959	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$35.19		 \$35.19	

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8 - RECEIVABLES

Receivables at June 30, 2004, consisted of property taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
VEPD Reimbursement	\$672
Excess Cost Reimbursement	3,115
CAFS	46,725
Part B - IDEA	42,846
Title V	4,472
Title II-A	14,409
Title I	84,537
Title II-D	649
Safe and Drug Free Community Grant	6,908
Total Governmental Type Activities	\$204,333
Business Type Activities:	
Lunch and Breakfast Subsidy	\$17,937

NOTE 9 - INTERNAL BALANCES AND TRANSFERS

Interfund balances at June 30, 2004, consist of the following interfund receivables and payables:

	Interfund Receivable
<u>Interfund Payable</u>	General
Other Nonmajor	
Governmental	\$56,850
Food Service Enterprise Fund	117,181
Self Insurance Internal Service Fund	15,694
Total All Funds	\$189,725

The loans to the Title I and Miscellaneous Federal Grants Special Revenue Funds were made to support the programs until federal grant monies are received. The loan to the Food Service Enterprise Fund was made to support the cafeteria program and is reflected as an internal balance on the statement of net assets. The loan to the Self-Insurance Internal Service Fund was made to support the self insurance program.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

During fiscal year 2004, governmental activities contributed capital assets to the business type activities in the amount of \$244,708 which is reflected as transfers on the entity-wide statement of activities and as capital contributions in the fund statement of revenues, expenses and changes in fund net assets for proprietary funds.

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
<u>Government Activities:</u>				
Non Depreciable Assets:				
Land	\$444,105	\$0	\$0	\$444,105
Construction in Progress	6,333,281	0	(6,333,281)	0
Total Non Depreciable Assets	6,777,386	0	(6,333,281)	444,105
Depreciable Assets:				
Buildings and Improvements	3,951,374	7,890,545	0	11,841,919
Furniture, Fixtures, and Equipment	627,450	380,028	0	1,007,478
Vehicles	1,092,653	0	(63,693)	1,028,960
Total Depreciable Capital Assets	5,671,477	8,270,573	(63,693)	13,878,357
Less Accumulated Depreciation:				
Buildings and Improvements	(3,741,619)	(212,393)	0	(3,954,012)
Furniture, Fixtures, and Equipment	(360,850)	(66,946)	0	(427,796)
Vehicles	(664,200)	(68,157)	57,323	(675,034)
Total	(4,766,669)	(347,496)*	57,323	(5,056,842)
Depreciable Capital Assets, Net	904,808	7,923,077	(6,370)	8,821,515
Governmental Activities Capital Assets, Net	\$7,682,194	\$7,923,077	(\$6,339,651)	\$9,265,620
<u>Business Type Activity:</u>				
Furniture, Fixtures, and Equipment	\$77,246	\$244,708	\$0	\$321,954
Accumulated Depreciation	(38,994)	(13,314)	0	(52,308)
Business-Type Activity Capital Assets, Net	\$38,252	\$231,394	\$0	\$269,646

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

*Depreciation Expense was charged to governmental functions as follows:

Instruction:	
Regular	\$148,470
Special	26,192
Vocational	16,774
Support Services:	
Pupils	6,997
Instructional Staff	17,490
Board of Education	2,124
Administration	21,682
Fiscal	4,748
Operation and Maintenance of Plant	23,718
Pupil Transportation	72,405
Central	2,355
Operation of Non-Instructional Services	1,034
Extracurricular Activities	3,507
Total	<u><u>\$347,496</u></u>

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium amount to the OSP (See Note 18). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Educational Property Coverage:	
Building and Contents (\$5,000 Deductible)	\$39,277,200
Inland Marine - Miscellaneous Equipment (\$1,000 Deductible)	1,285,100
Educational Automobile Coverage:	
Auto Liability-Combined Single Limit	1,000,000
Uninsured Motorists	not covered
Medical Payments	5,000
Comprehensive (ACV) and Towing - Buses	1,000 deductible
Comprehensive (ACV) and Towing - Other Auto's	250 deductible
Collision(ACV) - Buses	1,000 deductible
Collision(ACV) - Other Auto's	500 deductible
Educational General Liability:	
Bodily Injury and Property Damage - Each	
Occurrence Limit and Sexual Abuse Injury - Each Sexual	
Abuse Offense Limit (\$2,500 Bodily Injury Deductible)	1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Fire Damage - Any One Event Limit	500,000
Medical Expense - Any One Person Limit	10,000
Each Accident Limit	10,000
General Aggregate Limit	3,000,000
Products-Completed Operations Aggregate Limit	1,000,000
Employers Liability - Stop Gap - Occurrence From	
Bodily Injury by Accident - Each Accident Limit	1,000,000
Bodily Injury by Disease - Endorsement Limit	1,000,000
Bodily Injury by Disease - Each Employee Limit	1,000,000
Employee Benefits Liability - Claims Made From	
Each Offense Limit	1,000,000
Aggregate Limit	3,000,000
Educational Legal Liability - Claims Made From	
Errors and Omissions Injury Limit (\$10,000 Deductible)	1,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Employment Practices Injury Limit (\$10,000 Deductible)	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000

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

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (G.R.P.), an insurance purchasing pool (Note 18). The intent of the G.R.P. 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 G.R.P. 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 G.R.P. Each participant pays its workers' compensation premium to the State based on the rate for the G.R.P. rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the G.R.P. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insure that each participant shares equally in the overall performance of the G.R.P. Participation in the G.R.P. is limited to school districts that can meet the G.R.P.'s selection criteria. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the G.R.P.

Medical/surgical insurance, prescription, and dental insurance was offered to all employees through a self-insurance internal service fund until January 1, 2003 at which time all certified employees were no longer offered this insurance option. See Note 12 for details of their coverage effective January 1, 2003. Classified employees continue to be eligible for this option at June 30, 2004. See Note 23 for additional information. The School District is a member of the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool, consisting of fifty members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

The claims liability of \$12,460 reported at June 30, 2004 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 plan maintains an internal stop-loss pool of coverage for individual claims between \$35,000 and \$70,000, an external insurer covers individual claims above \$70,000. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the funds' claims liability in fiscal years 2003 and 2004 were:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$75,529	\$862,279	\$901,021	\$36,787
2004	36,787	415,668	439,995	12,460

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

B. Other Insurance

In addition to the self-insurance plan, offered to all employees for the first half of the fiscal year and to only the classified employees the second half of the fiscal year for medical/surgical coverage, the School District also participates in a Preferred Provider Organization, Anthem, and a Health Maintenance Organization, The Health Plan. Anthem is offered to the certified and administrative employees at a premium rate of \$884.31 for a family plan and \$353.72 for a single plan. The Health Plan is offered to the classified union employees only at a premium rate of \$779.79 for a family plan and \$311.92 for a single plan. The Board of Education pays approximately 94 percent of the premiums for either of these health insurance options. The School District also provides life insurance and accidental death and dismemberment insurance to all employees from Medical Life Insurance Company in an amount of \$20,000 per employee. The Board pays 100 percent of the premiums for this life insurance coverage.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined 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 State Statute per 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 43215-3476.

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$174,178, \$131,704, and \$79,268, respectively; 60.91 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, 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 2003, 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 for the fiscal years ended June 30, 2004, 2003, and 2002 were \$794,698, \$800,160, and \$528,076, respectively; 82.96 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$3,214 made by the School District and \$7,027 made by the plan members.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$61,131 for fiscal year 2004.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$191,652.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

NOTE 15 – NOTES PAYABLE

The School District issued a \$426,000 tax anticipation note at 4.00 percent on February 6, 2004. The note was fully repaid on March 9, 2004. The note was issued in anticipation of tax receipts and was backed by the full faith and credit of the School District.

NOTE 16 - LONG TERM OBLIGATIONS

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

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	Outstanding 6/30/03	Additions	Reductions	Outstanding 6/30/04	Amounts Due Within One Year
<u>Governmental Activities:</u>					
2002 School Improvement and Construction					
General Obligation Bonds - \$7,944,111					
Serial Bonds - \$7,825,000 @ 1.95%-4.15%	\$7,325,000	\$0	\$525,000	\$6,800,000	\$590,000
Premium - \$483,132	410,030	0	43,921	366,109	0
Discount - \$30,124	(25,559)	2,739	0	(22,820)	0
Capital Appreciation Bond - \$119,111 @ 4.77%	119,111	0	0	119,111	0
Accretion of Interest - \$920,889 @ 19.6%	69,170	0	0	69,170	0
Total General Obligation Bonds	7,897,752	2,739	568,921	7,331,570	590,000
1994 Energy Conservation					
Loan - \$352,748 @ 4.75%	42,018	0	42,018	0	0
Compensated Absences Payable	893,081	331,240	373,162	851,159	69,230
Total Governmental Activities	\$8,832,851	\$333,979	\$984,101	\$8,182,729	\$659,230
<u>Business Type Activity:</u>					
Compensated Absences Payable	\$11,484	\$3,726	\$7,969	\$7,241	\$1,118

2002 School Improvement and Construction General Obligation Bonds - On April 15, 2002 the School District issued \$7,944,111 in general obligation school facilities construction and improvement bonds to retire bond anticipation notes that had been issued for construction and improvement of School District facilities. The bond issue consists of serial bonds and a capital appreciation bond. The serial bonds were issued for an eleven year period with a final maturity at December 1, 2012 and the bonds have varying interest rates ranging from 1.95 percent to 4.15 percent.

The capital appreciation bond was sold at a discount of \$920,889, which is being accreted annually until the point of maturity of the capital appreciation bond, which is December 1, 2013. These bonds were purchased at a discount at the time of issuance. At maturity all compound interest is paid and the bond holder collects the face value. However, since interest is earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as a liability. The maturity amount of the bond is \$1,040,000. At June 30, 2003, the total accretion through June 30, 2004 had been recorded. Therefore no accretion has been recorded for fiscal year 2004, and the value of the outstanding bonds was \$188,281. The accretion will continue to be recorded on a straight-line basis over the life of the bonds.

The general obligation bonds will be retired with the proceeds of a 2.94 mill levy approved in May 2001. The principal and interest requirements will be recorded in the debt service fund.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$590,000	\$243,515	\$833,515
2006	615,000	226,318	841,318
2007	645,000	206,298	851,298
2008	705,000	182,964	887,964
2009	745,000	156,307	901,307
2010-2013	3,619,111	1,219,366	4,838,477
	\$6,919,111	\$2,234,768	\$9,153,879

Energy Conservation Loan – During fiscal year 1994, the School District issued a ten year \$352,748 note at a 4.75 percent interest rate. The note was backed by the full faith and credit of the School District. The repayments were to be made from utility savings transferred from the General Fund to the Debt Service Fund. The note was fully retired during fiscal year 2004.

The overall debt margin of the School District as of June 30, 2004, was \$21,473,676 with an unvoted debt margin of \$308,900.

Compensated absences will be paid from the General, Title I, Miscellaneous Federal Grant and the Food Service Enterprise Funds.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. OME-RESA participants consist of school districts and county educational service centers. OME-RESA provides financial accounting services, educational management information, and cooperative purchase services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the governing board. OME-RESA has no outstanding debt. During fiscal year 2004, the St. Clairsville-Richland City School District paid \$33,843 to OME-RESA.

The East Central Ohio Special Education Regional Resource Center – The East Central Ohio Special Education Regional Resource Center (ECOSERRC) 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.

The Belmont-Harrison Career Center - The Belmont-Harrison Career Center, a joint vocational school, is a jointly governed organization providing vocational services to its member school districts. The Career Center is governed by a board of education comprised of members appointed from each of the participating schools' boards of education. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 18 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (G.R.P.), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, 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.

Ohio School Plan – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Claims Servicing Pool

The Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan - The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

NOTE 19 – RELATED ORGANIZATION

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

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 20 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

NOTE 21 - SET ASIDES

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

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

During fiscal year 2004, the School District utilized all of the previously reserved amounts for budget stabilization. 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.

St. Clairsville-Richland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	\$0	\$0	\$84,968
Allowable Carry Forward from Prior Years	(140,335)	(5,439,844)	0
Current Year Set-aside Requirement	226,153	226,153	0
Reduction in Requirement based on Revised Legislation	0	0	(84,968)
Qualifying Disbursements	<u>(102,350)</u>	<u>(2,541,183)</u>	<u>0</u>
Totals	<u>(\$16,532)</u>	<u>(\$7,754,874)</u>	<u>\$0</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$16,532)</u>	<u>(\$7,754,874)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced both the textbook and the capital improvement set-asides amounts to below zero. The textbook balance amount may be carried forward to reduce future year requirements. The District also had current year and prior year capital expenditures in connection with a school building project that may be carried forward to offset future set-aside requirements.

NOTE 22 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

NOTE 23 – SUBSEQUENT EVENTS

Energy Conservation Loan – On August 5, 2004, the School District entered into a loan agreement in the amount of \$323,851 for energy conservation measures pursuant to House Bill 264. The loan was issued for a 15 year period at an interest rate of 4.22 percent.

Self Insurance - The District has received notification from the OME-RESA Self-Insurance Plan, that effective January 1, 2005, the District will no longer be eligible to participate in the self insurance program.

Workers Compensation - The District has received notification from the OSBA Workers' Compensation Group Rating Plan, that the District does not qualify for the group-rating portion of the OSBA program beginning in calendar year 2005.

This page intentionally left blank.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Donation	N/A	10.550	\$	\$22,681	\$	\$22,681
School Breakfast Program	045997-05PU-03/04	10.553	38,343		38,343	
National School Lunch Program	045997-LLP4-03/04	10.555	<u>98,508</u>		<u>98,508</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>136,851</u>	<u>22,681</u>	<u>136,851</u>	<u>22,681</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	045997-C1S1/D-03/04	84.010	295,870		334,331	
Special Education_Grants to States	045997-6BSF-03/04	84.027	235,119		254,843	
Safe & Drug-Free Schools and Communities - National Programs	045997-T4S1-2004	84.184C	1,516			
I Safe & Drug-Free Schools and Communities - State Grants	045997-DRS1-2003	84.186	11,290		11,290	
Eisenhower Professional Development State Grants	045997-MSS1-2003	84.281	831		831	
Innovative Education Program Strategies	045997-C2S1-03/04	84.298	8,578		7,869	
I Education Technology State Grants	045997-TJS1-03/04	84.318	13,310		9,364	
Class Size Reduction	045997-CRS1-2002	84.340	(4,427)			
Improving Teacher Quality State Grants	045997-TRS1-03/04	84.367	<u>93,182</u>		<u>92,712</u>	
Total United States Department of Education			<u>655,269</u>		<u>711,240</u>	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation & Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	<u>48,139</u>		<u>48,139</u>	
Total United States Department of Health and Human Services			<u>48,139</u>		<u>48,139</u>	
Total Federal Awards Receipts and Expenditures			<u>\$840,259</u>	<u>\$22,681</u>	<u>\$896,230</u>	<u>\$22,681</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C - ELIMINATION OF CFDA NO. 84.340

During fiscal year 2004, the U.S. Department of Education discontinued the Class Size Reduction Program (CFDA No. 84.340) with the program purposes continued under a new federal program, Improving Teacher Quality (CFDA No. 84.367). The Schedule reflects the following transfer due to the elimination of CFDA No. 84.340:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.340	045997-CRS1-2002		<u>\$4,427</u>
84.367	045997-TRS1-2003	<u>\$4,427</u>	
Total		<u>\$4,427</u>	<u>\$4,427</u>

NOTE D - TRANSFERS

The Ohio Department of Education (ODE) requires School Districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfer due to ODE administrative action:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.010	045997-C1S1-2003		\$20,605
84.010	045997-C1S1-2004	\$20,605	
84.010	045997-C1SD-2003		3,074
84.010	045997-C1SD-2004	3,074	
84.298	045997-C2S1-2003		2,703
84.298	045997-C2S1-2004	2,703	
84.318	045997-TJS1-2003		<u>1,135</u>
84.318	045997-TJS1-2004	<u>1,135</u>	
Total		<u>\$27,517</u>	<u>\$27,517</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 27, 2004, wherein we noted the School District changed its capitalization criteria for governmental activities capital assets from \$500 to \$5,000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 and 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to the School District's management in a separate letter dated December 27, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the School District's management in a separate letter dated December 27, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

St. Clairsville-Richland City School District
Belmont County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 27, 2004



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the St. Clairsville-Richland City School District, Belmont County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the School District's management in a separate letter dated December 27, 2004.

Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 27, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30 2004**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education - Grants to States, C.F.D.A. #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2004
(Continued)**

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue plus unencumbered balances available for expenditures as certified by the County budget commission.

As of June 30, 2004, appropriations exceeded estimated revenue plus unencumbered balances in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Title I Grant Fund	\$394,379	\$415,441	(\$21,062)
School Net Grant Fund	\$4,600	\$25,858	(\$21,258)
Self-Insurance Fund	\$997,526	\$1,236,000	(\$238,474)

We recommend the School District develop internal control procedures to ensure appropriations from each fund do not exceed the estimated resources as certified by the County Budget Commission.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.412 requires the Treasurer, Superintendent and President of the Board of Education to certify that adequate revenues will be available to maintain all personnel and programs for the current fiscal year and for a number of days in the succeeding fiscal years equal to the number of days instruction was held or is scheduled for the current fiscal year. Certificates must be attached to all qualifying contracts that exceed the lesser of \$500,000 or 1% of the general funds total estimated revenues as certified in the school district's most recent certificate of estimated resources under Ohio Rev. Code Section 5705.36.

During fiscal year 2004, the School District's supplemental appropriations as passed on November 18, 2003, December 9, 2003, January 13, 2004, April 13, 2004, June 8, 2004 and June 23, 2004, and its St. Clairsville Education Association negotiated agreement did not have attached thereto a "412 certificate" nor could the Treasurer provide evidence that the certificates were properly executed.

On December 14 and 15, 2004, the 412 certificates were properly executed by the School District Treasurer for the St. Clairsville Education Association negotiated agreement and supplemental appropriations noted above.

We recommend the School District carefully review contracts, appropriation measures, and salary schedules to determine whether a "412 certificate" should be executed and attach such certificates to all such documentation.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2004
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 SECTION .315(b)
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid</u> ; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5705.10 states money paid into one fund may only be used for the purposes for which such fund was established.	No	Partially Corrected; the noncompliance citation is reissued within the management letter.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 SECTION .315 (c)
JUNE 30, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The Treasurer will monitor all fund appropriations in order to ensure they do not exceed total certified resources.	6-30-05	Trevor Gummere, Treasurer
2004-002	The Treasurer properly executed the 412 certificates for the items noted in finding 2004-002 on December 14 and 15, 2004. Also, the Treasurer will monitor future contracts, appropriation measures and salary schedules to determine whether a "412" certificate should be executed.	6-30-05	Trevor Gummere, Treasurer



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 17, 2005**