



Mary Taylor, CPA
Auditor of State

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Steubenville City School District
Jefferson County
1400 West Adams Street
P.O. Box 189
Steubenville, Ohio 43952

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

April 3, 2007

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of the Steubenville City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2006 are as follows:

- Net assets of governmental activities increased \$24,311,026.
- General revenues accounted for \$37,797,491 in revenue or 81 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$8,655,873 or 19 percent of total revenues of \$46,453,364.
- Total assets of governmental activities increased \$26,943,998 primarily due to increased cash and cash equivalents and investments from the local share of the classroom facilities project as well as an increase in intergovernmental receivables resulting from the Ohio School Facilities Grant. Capital assets also increased slightly due to increased construction in progress from the project which was offset by annual depreciation expense on depreciable capital assets.
- The School District had \$22,142,338 in expenses related to governmental activities; only \$8,655,873 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$37,797,491 were adequate to provide for these programs.
- The School District has four major funds, the general fund, debt service fund, permanent improvement capital projects fund, and classroom facilities capital projects fund. The general fund had \$15,988,839 in revenues and other financing sources and \$16,496,904 in expenditures and other financing uses. The general fund's balance decreased \$508,065. The debt service fund had \$2,324,593 in revenues and other financing sources and \$1,145,414 in expenditures. The debt service fund's balance increased \$1,179,179. The permanent improvement fund had \$5,013,240 in revenues and other financing sources and \$7,945,895 in expenditures and other financing uses. The permanent improvement fund's balance decreased \$2,932,655. The classroom facilities fund had \$10,321,942 in revenues and other financing sources, and \$750,250 in expenditures. The classroom facilities fund balance increased \$9,571,692.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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future spending. The fund financial statements also look as the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		
	2006	2005	Change
Assets			
Current and Other Assets	\$48,190,717	\$21,520,779	\$26,669,938
Capital Assets	21,692,888	21,418,828	274,060
Total Assets	69,883,605	42,939,607	26,943,998
Liabilities			
Long-Term Liabilities	14,282,802	11,377,424	2,905,378
Other Liabilities	6,572,861	6,845,267	(272,406)
Total Liabilities	20,855,663	18,222,691	2,632,972
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,572,442	12,505,574	1,066,868
Restricted	31,289,660	8,040,696	23,248,964
Unrestricted	4,165,840	4,170,646	(4,806)
Total Net Assets	\$49,027,942	\$24,716,916	\$24,311,026

Total assets increased \$26,943,998. Current assets increased by \$26,669,938 primarily due to an increase in cash and cash equivalents and investments from the local share of the classroom facilities project as well as an increase in intergovernmental receivables resulting from the Ohio School Facilities Grant. Capital assets also increased \$274,060 due to increased construction in progress from the facilities project which was offset by annual depreciation expense on depreciable capital assets.

Total liabilities increased \$2,632,972, due primarily to an increase in long-term liabilities for the issuance of the QZAB's, which was offset by scheduled debt repayments during fiscal year 2006. This increase was offset by decreases in accrued wages and benefits payable and intergovernmental liabilities.

Stebenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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Table 2 shows the changes in net assets for the fiscal year 2006 compared to fiscal year 2005.

Table 2
Changes in Net Assets

	Governmental Activities		
	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services	\$2,651,106	\$2,269,111	\$381,995
Operating Grants and Contributions	5,963,500	6,171,003	(207,503)
Capital Grants and Contributions	41,267	35,447	5,820
Total Program Revenues	8,655,873	8,475,561	180,312
General Revenues			
Property Taxes	4,867,571	5,060,296	(192,725)
Grants and Entitlements - Classroom Facilities	19,087,355	0	19,087,355
Grants and Entitlements not Restricted to Specific Programs	12,828,888	9,087,770	3,741,118
Others	1,013,677	585,449	428,228
Total General Revenues	37,797,491	14,733,515	23,063,976
Total Revenues	46,453,364	23,209,076	23,244,288
Program Expenses			
Instruction			
Regular	8,979,594	8,581,078	398,516
Special	3,125,412	4,103,625	(978,213)
Vocational	831,625	867,183	(35,558)
Support Services			
Pupil	999,484	1,035,636	(36,152)
Instructional Staff	556,687	669,667	(112,980)
Board of Education	26,082	44,321	(18,239)
Administration	1,760,792	1,556,216	204,576
Fiscal	453,672	375,717	77,955
Business	164,798	131,244	33,554
Operation and Maintenance of Plant	2,275,022	2,084,687	190,335
Pupil Transportation	363,564	330,093	33,471
Central	21,381	11,895	9,486
Operation of Non-Instructional Services	478,086	515,482	(37,396)
Food Service Operations	848,945	744,107	104,838
Extracurricular Activities	645,794	514,689	131,105
Interest and Fiscal Charges	611,400	613,351	(1,951)
Total Expenses	22,142,338	22,178,991	(36,653)
Increase in Net Assets	24,311,026	1,030,085	23,280,941
Net Assets Beginning of Year	24,716,916	23,686,831	1,030,085
Net Assets End of Year	\$49,027,942	\$24,716,916	\$24,311,026

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In 2006, 10 percent of the School District's revenues were from property taxes and 28 percent were from unrestricted grants and entitlements, and 41 percent were from restricted grants for the classroom facilities project. The primary change in revenues from 2005 to 2006 was for the classroom facilities project.

Instructional programs comprise approximately 58 percent of total governmental program expenses. Of the instructional expenses, approximately 69 percent is for regular instruction, 24 percent for special instruction, and 7 percent for vocational instruction. Instructional program expenses decreased \$615,255 from the prior fiscal year primarily due to a decrease in salaries and benefits.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2006 compared to fiscal year 2005. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction				
Regular	\$8,979,594	\$8,581,078	\$5,055,739	\$5,110,087
Special	3,125,412	4,103,625	1,148,592	1,746,586
Vocational	831,625	867,183	672,887	710,738
Support Services				
Pupil	999,484	1,035,636	643,999	706,743
Instructional Staff	556,687	669,667	162,232	239,092
Board of Education	26,082	44,321	26,082	44,321
Administration	1,760,792	1,556,216	1,580,801	1,345,861
Fiscal	453,672	375,717	451,708	372,986
Business	164,798	131,244	150,953	117,569
Operation and Maintenance of Plant	2,275,022	2,084,687	2,193,156	2,011,706
Pupil Transportation	363,564	330,093	359,869	322,889
Central	21,381	11,895	6,794	1,675
Operation of Non-Instructional Services	478,086	515,482	36,758	84,793
Food Service Operations	848,945	744,107	35,900	34,908
Extracurricular Activities	645,794	514,689	349,595	240,125
Interest and Fiscal Charges	611,400	613,351	611,400	613,351
Total Expenses	\$22,142,338	\$22,178,991	\$13,486,465	\$13,703,430

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 61 percent of expenses are supported through taxes and other general revenues.

The School District Funds

The School District has four major funds, the general fund, debt service fund, permanent improvement capital projects fund, and classroom facilities capital projects fund. The general fund had \$15,988,839 in revenues and other financing sources and \$16,496,904 in expenditures and other financing uses. The general fund's balance decreased \$508,065. The debt service fund had \$2,324,593 in revenues and other

Steubenville City School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006
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financing sources and \$1,145,414 in expenditures. The debt service fund's balance increased \$1,179,179. The permanent improvement fund had \$5,013,240 in revenues and other financing sources and \$7,945,895 in expenditures and other financing uses. The permanent improvement fund's balance decreased \$2,932,655. The classroom facilities fund had \$10,321,942 in revenues and other financing sources, and \$750,250 in expenditures. The classroom facilities fund balance increased \$9,571,692.

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 2006, the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There were significant changes between the original and final budgeted appropriations resulting from the original budgeted amount for transfers being higher than the final due to the District anticipating moving more funds into the permanent improvement fund for building improvements. In addition, the School District increased the final budget amounts for expenditures that were not made.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$21,692,888 invested in land, construction in progress, land improvements, buildings and improvements, furniture, and equipment and vehicles. See note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2006, the School District had \$13,176,281 in bonds, loans, and capital leases outstanding.

Table 4
Outstanding Debt at Year End
Governmental Activities

	2006	2005
1993 High School Addition and Improvement Serial Bonds	\$640,000	\$675,000
1998 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	5,794,559	6,151,611
2000 School Facilities Serial, Term, and Capital Appreciation Bonds	2,810,315	2,912,068
2005 Qualified Zone Academy Bonds	3,930,240	0
Energy Conservation Loans	0	20,938
Capital Leases	1,167	4,381
Total	\$13,176,281	\$9,763,998

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

Economic Factors

In fiscal year 2005-2006, the Steubenville City School District moved forward with its plan to develop an educational plan for the future through a process of remodeling and restructuring its buildings and

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

In August of 2006, the District entered into agreement with Bank of America and US Bank for the purpose of acquiring funding for the QZAB. The funds will be used to renovate the two qualifying schools, Garfield Elementary and Steubenville High School. Additionally, using allocated district monies, property at the west end of town was purchased from the City of Steubenville as a site for a future elementary school for the project.

To allow for renovations and new construction at the Garfield Elementary School site, the elementary school was officially closed as a school building during the renovation project. Beginning with school year 2005-2006 and continuing through completion of the project, Garfield students and staff from kindergarten through grade two would be transferred to Wells Elementary School, and third through fifth grade students and staff would be dispersed to Lincoln Elementary School. In July of 2005, the District Administration Office was temporarily relocated to the Garfield Elementary Building for one year to allow for the demolition of the former administrative office building.

In addition to building changes in the District during fiscal year 2005-2006, the year brought program changes and updates to the District as well. Through grant funding, a Transitional Work program was established and implemented as part of the District's safety plan. The District also entered into the second year of the Bureau of Worker's Compensation Premium Discount Plus (PDP+) Program, which offers the District discounts to reduce escalating worker's compensation costs. In March of 2006, the District fiscal offices were upgraded and improved through installation of a laser printing system and a web-based state software program.

As for District accolades, three District schools received special recognition in fiscal year 2006. Garfield Elementary School, which was temporarily closed in FY06, was recognized as a 2005 "No Child Left Behind" National Blue Ribbon School. McKinley Elementary School received the Walter Horn Partnering for Progress Award in the area of capacity. Roosevelt Elementary School was honored as a 2005 "National Title I Distinguished School" and received recognition at the National Title I Conference in Dallas, Texas, in January of 2006. The District was also congratulated in fiscal year 2006 by the Ohio Department of Education Center for School Improvement for meeting the federal "No Child Left Behind" mandate that all teachers in core area academic subjects become highly qualified by the end of fiscal year 2006.

Contacting the School District's Financial Management

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

Steubenville City School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$17,810,123
Accrued Interest Receivable	17,728
Accounts Receivable	7,500
Intergovernmental Receivable	19,216,144
Investments in Segregated Accounts	3,868,502
Materials in Supplies Inventory	20,743
Property Taxes Receivable	6,105,930
Investments with Fiscal and Escrow Agents	1,013,653
Deferred Charges	130,394
Non-Depreciable Capital Assets	6,728,397
Depreciable Capital Assets, Net	14,964,491
<i>Total Assets</i>	69,883,605
Liabilities	
Accounts Payable	51,588
Accrued Wages and Benefits Payable	1,483,933
Vacation Benefits Payable	11,156
Intergovernmental Payable	533,308
Matured Severance Payable	47,753
Accrued Interest Payable	30,628
Claims Payable	293,123
Deferred Revenue	4,121,372
Long-Term Liabilities:	
Due Within One Year	797,976
Due In More Than One Year	13,484,826
<i>Total Liabilities</i>	20,855,663
Net Assets	
Invested in Capital Assets, Net of Related Debt	13,572,442
Restricted for:	
Debt Service	2,628,397
Capital Outlay	26,443,865
Set Asides	85,496
Bus Purchases	135,031
State Programs	59,905
Federal Programs	57,132
Food Service	155,788
Preschool Programs	237,601
Classroom Facilities Maintenance	931,462
Other Purposes	554,983
Unrestricted	4,165,840
<i>Total Net Assets</i>	\$49,027,942

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$8,979,594	\$1,927,128	\$1,977,015	\$19,712	(\$5,055,739)
Special	3,125,412	154,722	1,808,757	13,341	(1,148,592)
Vocational	831,625	0	158,738	0	(672,887)
Support Services:					
Pupil	999,484	18,116	337,369	0	(643,999)
Instructional Staff	556,687	31,040	363,415	0	(162,232)
Board of Education	26,082	0	0	0	(26,082)
Administration	1,760,792	14,991	165,000	0	(1,580,801)
Fiscal	453,672	1,911	53	0	(451,708)
Business	164,798	13,845	0	0	(150,953)
Operation and Maintenance of Plant	2,275,022	33,985	47,881	0	(2,193,156)
Pupil Transportation	363,564	0	0	3,695	(359,869)
Central	21,381	0	14,587	0	(6,794)
Operation of Non-Instructional Service	478,086	22,414	414,395	4,519	(36,758)
Food Service Operations	848,945	136,755	676,290	0	(35,900)
Extracurricular Activities	645,794	296,199	0	0	(349,595)
Interest and Fiscal Charges	611,400	0	0	0	(611,400)
<i>Total Governmental Activities</i>	<u>\$22,142,338</u>	<u>\$2,651,106</u>	<u>\$5,963,500</u>	<u>\$41,267</u>	<u>(13,486,465)</u>

General Revenues

Property Taxes Levied for General Purposes	3,780,242
Property Taxes Levied for Debt Service	1,007,051
Property Taxes Levied for Classroom Facilities Maintenance	80,278
Grants and Entitlements-Classroom Facilities	19,087,355
Grants and Entitlements not Restricted to Specific Programs	12,828,888
Gifts and Donations	255,266
Investment Earnings	627,253
Gain on Sale of Capital Assets	64
Miscellaneous	131,094
<i>Total General Revenues</i>	<u>37,797,491</u>
Change in Net Assets	24,311,026
<i>Net Assets Beginning of Year</i>	<u>24,716,916</u>
<i>Net Assets End of Year</i>	<u>\$49,027,942</u>

See accompanying notes to the basic financial statements

Steubenville City School District

*Balance Sheet
Governmental Funds
June 30, 2006*

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$4,133,758	\$1,280,016	\$1,655,462	\$5,703,190	\$2,385,934	\$15,158,360
Investments In Segregated Accounts	0	0	0	3,868,502	0	3,868,502
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	220,527	0	0	0	0	220,527
Investments with Fiscal and Escrow Agents	0	1,013,653	0	0	0	1,013,653
Receivables:						
Property Taxes	4,778,693	1,228,888	0	0	98,349	6,105,930
Accounts	7,500	0	0	0	0	7,500
Intergovernmental	112,410	0	0	19,087,355	16,379	19,216,144
Accrued Interest	17,728	0	0	0	0	17,728
Materials and Supplies Inventory	11,709	0	0	0	9,034	20,743
<i>Total Assets</i>	<u>\$9,282,325</u>	<u>\$3,522,557</u>	<u>\$1,655,462</u>	<u>\$28,659,047</u>	<u>\$2,509,696</u>	<u>\$45,629,087</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$25,115	\$0	\$2,142	\$0	\$24,331	\$51,588
Accrued Wages and Benefits	1,273,662	0	0	0	210,271	1,483,933
Intergovernmental Payable	450,035	0	0	0	83,273	533,308
Matured Severance Payable	47,753	0	0	0	0	47,753
Deferred Revenue	4,565,759	1,129,595	0	19,087,355	90,443	24,873,152
<i>Total Liabilities</i>	<u>6,362,324</u>	<u>1,129,595</u>	<u>2,142</u>	<u>19,087,355</u>	<u>408,318</u>	<u>26,989,734</u>
Fund Balances						
Reserved for Encumbrances	265,835	0	24,267	1,039,722	138,059	1,467,883
Reserved for Property Taxes	335,494	99,293	0	0	7,906	442,693
Reserved for Budget Stabilization	85,496	0	0	0	0	85,496
Reserved for Bus Purchases	135,031	0	0	0	0	135,031
Unreserved:						
Designated for Budget Stabilization	186,133	0	0	0	0	186,133
Designated for Textbooks	917,354	0	0	0	0	917,354
Designated for Capital Maintenance	92,774	0	0	0	0	92,774
Undesignated, Reported in:						
General Fund	901,884	0	0	0	0	901,884
Special Revenue Funds	0	0	0	0	1,955,413	1,955,413
Debt Service Funds	0	2,293,669	0	0	0	2,293,669
Capital Projects Funds	0	0	1,629,053	8,531,970	0	10,161,023
<i>Total Fund Balances</i>	<u>2,920,001</u>	<u>2,392,962</u>	<u>1,653,320</u>	<u>9,571,692</u>	<u>2,101,378</u>	<u>18,639,353</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,282,325</u>	<u>\$3,522,557</u>	<u>\$1,655,462</u>	<u>\$28,659,047</u>	<u>\$2,509,696</u>	<u>\$45,629,087</u>

See accompanying notes to the basic financial statements

Steubenville City School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006*

Total Governmental Fund Balances \$18,639,353

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

Capital assets used in governmental activities are not financial
resources and therefore are deferred in the funds. 21,692,888

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

Grants	19,199,765
Property Taxes	1,541,865
Interest	<u>10,150</u>

Total 20,751,780

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and, therefore, are
not reported in the funds. 130,394

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. 2,138,113

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

General Obligation Bonds	8,187,935
Qualified Zone Academy Bonds	3,930,240
Accretion of Interest	1,056,939
Compensated Absences	1,106,521
Vacation Benefits Payable	11,156
Accrued Interest Payable	30,628
Capital Leases	<u>1,167</u>

Total (14,324,586)

Net Assets of Governmental Activities \$49,027,942

See accompanying notes to the basic financial statements

Stuebenville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$3,716,525	\$993,533	\$0	\$0	\$79,169	\$4,789,227
Intergovernmental	9,694,798	137,149	0	3,772,567	5,153,846	18,758,360
Interest	389,587	52,712	0	155,644	32,117	630,060
Tuition and Fees	2,079,846	0	0	0	33,684	2,113,530
Extracurricular Activities	0	0	0	0	311,743	311,743
Rent	25,557	0	0	0	26,868	52,425
Contributions and Donations	5,733	0	150,000	0	99,533	255,266
Charges for Services	0	0	0	0	173,408	173,408
Miscellaneous	76,613	0	0	0	54,481	131,094
<i>Total Revenues</i>	<u>15,988,659</u>	<u>1,183,394</u>	<u>150,000</u>	<u>3,928,211</u>	<u>5,964,849</u>	<u>27,215,113</u>
Expenditures						
Current:						
Instruction:						
Regular	6,676,220	0	7,570	0	1,881,411	8,565,201
Special	2,299,898	0	0	0	1,028,077	3,327,975
Vocational	863,640	0	0	0	21,174	884,814
Support Services:						
Pupil	684,476	0	0	0	353,176	1,037,652
Instructional Staff	167,231	0	0	0	357,285	524,516
Board of Education	25,658	0	0	0	0	25,658
Administration	1,457,970	0	0	0	181,923	1,639,893
Fiscal	396,280	24,630	0	29,226	4,058	454,194
Business	149,688	0	0	0	17,374	167,062
Operation and Maintenance of Plant	2,136,896	0	0	0	75,948	2,212,844
Pupil Transportation	331,560	0	0	0	0	331,560
Central	8,744	0	0	0	12,637	21,381
Operation of Non-Instructional Services	5,425	0	0	0	433,331	438,756
Food Service Operations	0	0	0	0	779,512	779,512
Extracurricular Activities	219,019	0	0	0	371,704	590,723
Capital Outlay	0	0	407,036	721,024	85	1,128,145
Debt Service:						
Principal Retirement	0	720,938	0	0	3,214	724,152
Interest and Fiscal Charges	0	399,846	0	0	209	400,055
Issuance Costs	0	0	137,558	0	0	137,558
<i>Total Expenditures</i>	<u>15,422,705</u>	<u>1,145,414</u>	<u>552,164</u>	<u>750,250</u>	<u>5,521,118</u>	<u>23,391,651</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>565,954</u>	<u>37,980</u>	<u>(402,164)</u>	<u>3,177,961</u>	<u>443,731</u>	<u>3,823,462</u>
Other Financing Sources (Uses)						
Transfers In	0	1,141,199	933,000	6,393,731	0	8,467,930
Qualified Zone Academy Bonds Issued	0	0	3,930,240	0	0	3,930,240
Sale of Capital Assets	180	0	0	0	0	180
Transfers Out	(1,074,199)	0	(7,393,731)	0	0	(8,467,930)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,074,019)</u>	<u>1,141,199</u>	<u>(2,530,491)</u>	<u>6,393,731</u>	<u>0</u>	<u>3,930,420</u>
<i>Net Change in Fund Balances</i>	<u>(508,065)</u>	<u>1,179,179</u>	<u>(2,932,655)</u>	<u>9,571,692</u>	<u>443,731</u>	<u>7,753,882</u>
<i>Fund Balances Beginning of Year</i>	<u>3,428,066</u>	<u>1,213,783</u>	<u>4,585,975</u>	<u>0</u>	<u>1,657,647</u>	<u>10,885,471</u>
<i>Fund Balances End of Year</i>	<u>\$2,920,001</u>	<u>\$2,392,962</u>	<u>\$1,653,320</u>	<u>\$9,571,692</u>	<u>\$2,101,378</u>	<u>\$18,639,353</u>

See accompanying notes to the basic financial statements

Steubenville City School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds \$7,753,882

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

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

Capital Outlay	1,132,563	
Depreciation	(858,387)	
Total	274,176	274,176

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 proceeds and the gain on disposal of assets:

Gain on Disposal of Assets	64	
Proceeds from Sales of Assets	(180)	
Total	(116)	(116)

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

Property Taxes	78,344	
Grants	19,162,650	
Interest	(4,297)	
Total	19,236,697	19,236,697

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	700,000	
Energy Conservation Loans	20,938	
Capital Leases	3,214	
Total	724,152	724,152

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities, and the accretion of interest of capital appreciation bonds is reported in the statement of activities.

Accrued Interest	2,014	
Accretion of Interest	(206,195)	
Total	(204,181)	(204,181)

Qualified Zone Academy Bonds Issued an other financing source in governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (3,930,240)

Bond Issuance costs are debt service expenditures in governmental funds, but are reported as deferred charges assets on the statement of activities. 137,558

Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities. (7,164)

Some expenses reported in the statement of activities, such as compensated absences, and vacation benefits payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Vacation Benefits Payable	1,393	
Compensated Absences	506,905	
Total	508,298	508,298

The internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund are allocated among governmental activities. (182,036)

Change in Net Assets of Governmental Activities \$24,311,026

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$3,724,216	\$3,816,500	\$3,816,500	\$0
Intergovernmental	10,387,508	9,694,758	9,694,798	40
Interest	257,000	414,030	388,480	(25,550)
Tuition and Fees	1,750,904	2,080,408	2,079,846	(562)
Rent	12,500	18,057	18,057	0
Contributions and Donations	3,575	5,733	5,733	0
Miscellaneous	70,547	120,254	76,598	(43,656)
<i>Total Revenues</i>	<u>16,206,250</u>	<u>16,149,740</u>	<u>16,080,012</u>	<u>(69,728)</u>
Expenditures				
Current:				
Instruction:				
Regular	7,210,036	7,749,950	6,554,011	1,195,939
Special	2,290,412	2,327,667	2,241,400	86,267
Vocational	776,972	888,772	864,330	24,442
Support Services:				
Pupils	670,672	701,172	660,021	41,151
Instructional Staff	175,665	183,096	159,366	23,730
Board of Education	72,675	74,684	26,879	47,805
Administration	1,391,761	1,448,873	1,426,750	22,123
Fiscal	380,462	435,661	408,982	26,679
Business	188,324	221,524	165,890	55,634
Operation and Maintenance of Plant	2,574,784	2,583,060	2,279,322	303,738
Pupil Transportation	438,313	470,874	364,061	106,813
Central	0	8,744	8,744	0
Extracurricular Activities	229,422	246,190	220,717	25,473
Capital Outlay	39,163	1,151	1,101	50
<i>Total Expenditures</i>	<u>16,438,661</u>	<u>17,341,418</u>	<u>15,381,574</u>	<u>1,959,844</u>
Excess of Revenues Over (Under) Expenditures	<u>(232,411)</u>	<u>(1,191,678)</u>	<u>698,438</u>	<u>1,890,116</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	5,000	180	180	0
Transfers Out	(2,588,004)	(1,093,680)	(1,074,199)	19,481
Advances Out	(186,000)	(432,000)	0	432,000
<i>Total Other Financing Sources (Uses)</i>	<u>(2,769,004)</u>	<u>(1,525,500)</u>	<u>(1,074,019)</u>	<u>451,481</u>
<i>Net Change in Fund Balance</i>	(3,001,415)	(2,717,178)	(375,581)	2,341,597
<i>Fund Balance Beginning of Year</i>	4,112,383	4,112,383	4,112,383	0
Prior Year Encumbrances Appropriated	326,535	326,535	326,535	0
<i>Fund Balance End of Year</i>	<u>\$1,437,503</u>	<u>\$1,721,740</u>	<u>\$4,063,337</u>	<u>\$2,341,597</u>

See accompanying notes to the basic financial statements

Steubenville City School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2006

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,431,236
Current Liabilities	
Claims Payable	<u>293,123</u>
Net Assets	
Unrestricted	<u><u>\$2,138,113</u></u>

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	<u>Governmental Activity</u> <u>Internal Service</u> <u>Fund</u>
Operating Revenues	
Charges for Services	<u>\$2,493,182</u>
Operating Expenses	
Purchased Services	454,318
Claims	<u>2,222,390</u>
<i>Total Operating Expenses</i>	<u>2,676,708</u>
<i>Operating Loss</i>	(183,526)
Non-Operating Revenues	
Interest	<u>1,490</u>
<i>Change in Net Assets</i>	(182,036)
<i>Net Assets Beginning of Year</i>	<u>2,320,149</u>
<i>Net Assets End of Year</i>	<u><u>\$2,138,113</u></u>

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,493,182
Cash Payments for Services	(454,318)
Cash Payments for Claims	(2,194,944)
	(156,080)
<i>Net Cash Used for Operating Activities</i>	(156,080)
Cash Flows from Investing Activities	
Interest	1,490
	1,490
<i>Net Cash Provided by Investing Activities</i>	1,490
<i>Net Decrease in Cash and Cash Equivalents</i>	(154,590)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,585,826
<i>Cash and Cash Equivalents End of Year</i>	\$2,431,236
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$183,526)
Increase in Claims Payable	27,446
	27,446
<i>Net Cash Used for Operating Activities</i>	(\$156,080)

See accompanying notes to the basic financial statements

Steubenville City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$254,401	\$40,951
Investments	70,865	0
<i>Total Assets</i>	325,266	\$40,951
Liabilities		
Due to Students	0	\$40,951
<i>Total Liabilities</i>	0	\$40,951
Net Assets		
Held in Trust for Scholarships	325,266	
<i>Total Net Assets</i>	\$325,266	

See accompanying notes to the basic financial statements

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1838. The School District serves an area of approximately 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 76 non-certificated employees, 188 certificated full-time teaching personnel, and 17 administrative employees who provide services to 3,352 students and other community members. The School District currently operates 6 elementary schools, 1 middle school and 1 high school for instruction, and 1 administrative building.

Reporting Entity:

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

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

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's 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 statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

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

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

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

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

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

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

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of 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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 activity.

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

D. Basis of Accounting

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

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

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2006, investments were limited to mutual funds, common stock, preferred stock, non-negotiable certificates of deposit, Federal Home Loan Bank Notes, money market mutual funds, and STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2006.

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

Following Ohio statues, 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 2006 amounted to \$389,587, which includes \$285,128, 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. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for the purchase of buses, amounts in a debt service escrow account restricted by debt covenants for future debt service payments, and amounts required by State Statute to be set-aside by the School District for budget stabilization. See Note 18 for additional information regarding set-asides.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

All reported capital assets are depreciated except for land. 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
Land Improvements	20 Years
Buildings and Improvements	50 Years
Machinery and Equipment	5-20 Years
Furniture and Fixtures	5-20 Years
Vehicles	8 Years

J. Interfund Balances

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Bond Discounts, Premiums, and Issuance Costs

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

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

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

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the 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.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

N. Interfund Activity

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

O. Fund Balance Reserves/Designations

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

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

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for other purposes include amounts from local sources restricted for specified purposes. The government-wide statement of net assets reports \$31,289,660 of restricted net assets. Of the restricted net assets, none has resulted from enabling legislation.

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

Q. Operating Revenues and Expenses

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

R. Extraordinary and Special Items

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

S. Estimates

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

T. Budgetary Data

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

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

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 – CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$508,065)
Revenue Accruals	91,353
Expenditure Accruals	332,079
Encumbrances	<u>(290,948)</u>
Budget Basis	<u><u>(\$375,581)</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,195,443 of the School District's bank balance of \$12,495,443 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Investments

As of June 30, 2006, the School District had the following investments; Star Ohio, and the money market mutual fund are part of the internal investment pool while the Federal Home Loan Bank Note is held by a Fiscal Agent in an Escrow Account for future Debt Service, and the mutual funds and stock are donated assets which are held for the private purpose trust fund:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Mutual Funds	\$1,445	**	0.01%	AAA	Fitch
Mutual Funds	9,832	**	0.09%	BBB	Fitch
Common Stock	15,657	N/A	0.14%	Aa3	**
Preferred Stock	1,094	N/A	0.01%	Baa	**
Common Stock	1,669	N/A	0.01%	BBB	**
Preferred Stock	31,349	N/A	0.28%	Baa2	**
Common Stock	8,457	N/A	0.07%	Baa3	**
Common Stock	1,362	N/A	0.01%	Baa	**
Money Market Mutual Funds	3,868,985	**	34.30%	Aaa	Moody's
FHLB Note	1,013,170	8/15/2006 ^	8.98%	Aaa	Moody's
STAR Ohio	6,326,384	34.77 Days	56.09%	AAAm	S&P
Totals	<u>\$11,279,404</u>		<u>100.00%</u>		

** Not available to the School District at June 30, 2006.

^ = See Subsequent Event Note 20.

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

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

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Note is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the school district 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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006 was \$335,494 in the general fund, \$99,293 in the debt service fund, and \$7,906 in the classroom facilities. The amount available as an advance at June 30, 2005,

Stuebenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

was \$435,469 in the general fund, \$121,143 in the debt service fund, and \$9,608 in the classroom facilities special revenue fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$143,516,960	77.15%	\$143,065,910	80.48%
Public Utility Personal	11,540,500	6.20%	11,247,810	6.33%
General Business Property	30,969,598	16.65%	23,452,598	13.19%
	\$186,027,058	100.00%	\$177,766,318	100.00%
Tax Rate per \$1,000 of assessed valuation		\$30.40		\$30.40

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,541,865 may not be collected within one year. All other receivables with the exception of the Ohio School Facilities Commission receivable, which is a multiple year project, are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Ohio School Facilities Receivable	\$19,087,355
Excess Cost Reimbursement	112,410
Title IIA	15,379
Ohio Arts Council Grant	1,000
Total	\$19,216,144

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 – TRANSFERS

Interfund transfers for the year ended June 30, 2006 consisted of the following:

<u>Transfer from</u>	Transfer to			Total
	Major Funds			
	Debt Service	Permanent Improvement	Classroom Facilities	
General Fund	\$141,199	\$933,000	\$0	\$1,074,199
Permanent Improvement	1,000,000	0	6,393,731	7,393,731
Totals	<u>\$1,141,199</u>	<u>\$933,000</u>	<u>\$6,393,731</u>	<u>\$8,467,930</u>

Transfers were used to move receipts from the General Fund to the Debt Service Fund as debt service payments came due, and to the Permanent Improvement Capital Projects Fund to finance future permanent improvements. The transfer from the Permanent Improvement Capital Projects Fund to the Classroom Facilities Capital Projects fund was to move QZAB proceeds as well as permanent improvement funds to finance the local share of the OSFC classroom facilities project.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	Balance 6/30/05	Additions	Deletions	Balance 6/30/06
Nondepreciable Capital Assets:				
Land	\$5,814,000	\$91,900	\$0	\$5,905,900
Construction in Progress	8,000	814,497	0	822,497
Total Nondepreciable Capital Assets	<u>5,822,000</u>	<u>906,397</u>	<u>0</u>	<u>6,728,397</u>
Depreciable Capital Assets:				
Land Improvements	1,983,522	0	0	1,983,522
Buildings and Improvements	20,681,604	13,818	(5,783)	20,689,639
Furniture and Equipment	1,726,202	178,881	0	1,905,083
Vehicles	1,043,126	33,467	0	1,076,593
Total Depreciable Capital Assets	<u>25,434,454</u>	<u>226,166</u>	<u>(5,783)</u>	<u>25,654,837</u>
Accumulated Depreciation:				
Land Improvements	(929,516)	(86,878)	0	(1,016,394)
Buildings and Improvements	(7,318,341)	(535,805)	5,667	(7,848,479)
Furniture and Equipment	(759,328)	(182,272)	0	(941,600)
Vehicles	(830,441)	(53,432)	0	(883,873)
Total Accumulated Depreciation	<u>(9,837,626)</u>	<u>(858,387)</u>	<u>5,667</u>	<u>(10,690,346)</u>
Total Depreciable Capital Assets, Net	<u>15,596,828</u>	<u>(632,221)</u>	<u>(116)</u>	<u>14,964,491</u>
Governmental Capital Assets, Net	<u>\$21,418,828</u>	<u>\$274,176</u>	<u>(\$116)</u>	<u>\$21,692,888</u>

Stuebenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$385,259
Special	107,412
Vocational	51,365
Support Services:	
Pupil	16,074
Instructional Staff	55,219
Board of Education	424
Administration	79,352
Fiscal	6,277
Operation of Maintenance and Plant	28,136
Pupil Transportation	47,669
Extracurricular	10,407
Non Instructional Services	15,722
Food Service Operations	55,071
Total Depreciation Expense	<u><u>\$858,387</u></u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District contracts with McBane Insurance Agency for general liability, errors and omissions, property, and fleet insurance. The general liability coverage has limits of liability of \$1,000,000 for each occurrence and an annual aggregate of \$2,000,000. The errors and omissions coverage has limits of liability of \$1,000,000 for each wrongful act with an annual aggregate of \$1,000,000. The property coverage carries a \$2,500 deductible with total coverage of \$54,513,433. The fleet coverage has limits of liability of \$1,000,000 for each accident and \$2,000 medical payments for each accident.

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

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with Medical Mutual of Ohio to provide third-party administration services of the self insurance plan. Employees have a choice to participate in a traditional plan or a preferred provider plan. The Board pays 100 percent of the premiums which are \$1,441.66 per family and \$533.49 for single for the traditional plan, or \$1,380.28 for family and \$512.12 for single coverage for the preferred provider plan per month. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$293,123 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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Changes in claims activity for the past two fiscal years are as follows:

	Balance at <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at End <u>of Year</u>
2005	\$431,600	\$1,767,220	\$1,933,143	\$265,677
2006	265,677	2,222,390	2,194,944	293,123

For fiscal year 2006 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or calling (614) 222-5853.

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 2006, 10.58 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$202,902, \$202,912, and \$175,802 respectively; 45.53 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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

Steubenville City School District
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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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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, 2006, 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 2005, 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 the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,261,267, \$1,252,746, and \$1,176,571 respectively; 85.45 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$5,748 made by the School District and \$8,676 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - 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

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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 retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$99,730 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$99,730.

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. Expenses for health care at June 30, 2005, (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for all employees.

B. Other Insurance Benefits

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District has entered into capitalized leases for copying equipment.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has been capitalized in government wide statements governmental activities in the amount of \$14,065, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Assets acquired by governmental activities through capitalized leases are reported net of accumulated depreciation in the amount of \$469. Principal payments in fiscal year 2006 totaled \$3,214 in the governmental funds.

Future minimum lease payments through 2008 are as follows:

Fiscal Year	Principal	Interest	Total
<u>Ending June 30, 2006</u>			
2007	<u>\$1,167</u>	<u>\$848</u>	<u>\$2,015</u>

Steubenville City School District
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NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal			Principal		Amounts
	Outstanding	Additions	Deductions	Outstanding	Due In	
	6/30/05			6/30/06	One Year	
<i>1993 High School Addition and Improvements, Series A</i>						
Serial Bonds, \$951,384 @ 5.95%	\$675,000	\$0	\$35,000	\$640,000	\$35,000	
<i>1998 Refunding Bonds, \$10,515,000</i>						
Serial/Term Bonds, \$8,130,000 @ 3.5%-5.25%	4,895,000	0	535,000	4,360,000	550,000	
Capital Appreciation Bonds, \$512,935 @ 4.4%-4.55%	512,935	0	0	512,935	0	
Accretion of Interest, \$1,872,065 @ 13.70-13.75%	743,676	177,948	0	921,624	0	
<i>2000 School Facilities Bonds, \$3,640,000</i>						
Serial/Term Bonds, \$2,960,000 @ 4.4%-5.6%	2,520,000	0	130,000	2,390,000	135,000	
Capital Appreciation Bonds, \$285,000 @ 5.25%-5.5%	285,000	0	0	285,000	0	
Accretion of Interest, \$395,000 @ 7.022%-7.185%	107,068	28,247	0	135,315	0	
2005 Qualified Zone Academy Bonds, \$3,930,240 @ 0%	0	3,930,240	0	3,930,240	0	
Energy Conservation Loans, \$290,659 @ 5.3%	20,938	0	20,938	0	0	
Total Bonds and Loans	9,759,617	4,136,435	720,938	13,175,114	720,000	
Capital Leases	4,381	0	3,214	1,167	1,167	
Compensated Absences	1,613,426	186,478	693,383	1,106,521	76,809	
Total General Long-Term Obligations	\$11,377,424	\$4,322,913	\$1,417,535	\$14,282,802	\$797,976	

Capital leases will be paid from the General Fund. Compensated absences will be paid from the general, food service, miscellaneous state grants, and miscellaneous federal grants funds.

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

1998 Refunding General Obligation Bonds - On September 30, 1998, the School District issued \$10,515,000 in general obligation bonds. The bonds refunded \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2022. Principal outstanding at June 30, 2006 amounted to \$5,794,559 including current year accretion of \$177,948. \$9,653,900 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1993 Series B School Improvement Bonds. As of June 30, 2006 \$400,000 of the refunded bonds remain outstanding and are considered defeased.

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

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

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

The capital appreciation bonds for the 1998 issue mature December 1, 2008 through December 1, 2011. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,385,000. For fiscal year 2006, \$177,948 was accreted for a total bond liability of \$1,434,559.

2000 School Facilities General Obligation Bonds - On November 1, 2000, the School District issued \$3,640,000 in voted general obligation bonds which included capital appreciation bonds (deep discount bonds) to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. Principal outstanding at June 30, 2006 amounted to \$2,810,315 including current year accretion of \$28,247.

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

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

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

The capital appreciation bonds for the 2000 issue mature December 1, 2011 through December 1, 2014. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$680,000. For fiscal year 2006, \$28,247 was accreted for a total bond liability of \$420,315.

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

On January 24, 1996, Steubenville City School District issued \$290,659 unvoted general obligation notes for the purpose of providing additional energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period, and were fully repaid during fiscal year 2006.

Annual requirements to retire general obligation debt, including loans outstanding at June 30, 2006 are as follows:

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Principal and interest requirements to retire the 1993 High School Addition and Improvements 5.95% Series A Bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30, 2005	Principal	Interest	Total
2007	\$35,000	\$38,906	\$73,906
2008	40,000	36,562	76,562
2009	40,000	34,062	74,062
2010	45,000	31,406	76,406
2011	45,000	28,594	73,594
2012-2016	290,000	92,815	382,815
2017-2018	145,000	9,219	154,219
Total	<u>\$640,000</u>	<u>\$271,564</u>	<u>\$911,564</u>

Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2006, including accreted interest of \$2,385,000 are as follows:

Fiscal Year Ending June 30, 2005	Principal	Accretion / Interest	Total
2007	\$550,000	\$205,400	\$755,400
2008	575,000	181,913	756,913
2009	154,623	610,215	764,838
2010	135,428	629,410	764,838
2011	119,622	650,216	769,838
2012-2016	2,683,262	1,078,429	3,761,691
2017	655,000	17,194	672,194
Total	<u>\$4,872,935</u>	<u>\$3,372,777</u>	<u>\$8,245,712</u>

Principal and interest requirements to retire the 2000 Classroom Facilities Variable Interest Bonds outstanding at June 30, 2006, including accreted interest of \$680,000 are as follows:

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Fiscal Year Ending June 30, 2005	Principal	Accretion / Interest	Total
2007	\$135,000	\$124,717	\$259,717
2008	140,000	118,288	258,288
2009	145,000	111,518	256,518
2010	155,000	104,279	259,279
2011	160,000	96,600	256,600
2012-2016	455,000	853,640	1,308,640
2017-2021	1,000,000	281,400	1,281,400
2022-2023	485,000	27,580	512,580
Total	<u>\$2,675,000</u>	<u>\$1,718,022</u>	<u>\$4,393,022</u>

The Energy Conservation Loan was fully repaid during fiscal year 2006.

The School District's overall legal debt margin was \$7,211,479, with an unvoted debt margin of \$150,522, at June 30, 2006.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Jefferson County Joint Vocational School – The Jefferson County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. During fiscal year 2006, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has twelve participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2006, the total amount paid to OME-RESA from the School District was \$50,002. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for

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school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2006.

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

The Ohio School Benefits Cooperative – The School District participates in the Ohio School Benefits Cooperative, a claims servicing pool comprised of twenty-four members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. The OSBC 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 maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverages for their employees, and the eligible dependents and designated beneficiaries of such employees, and propose to have certain other eligible school districts or groups join them for the same purposes. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

NOTE 17 – PUBLIC ENTITY POOL

Insurance Purchasing Pool

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

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	\$0	\$0	\$85,496
Current Year Set-aside Requirement	290,814	290,814	0
Current Year Offsets	0	(80,871)	0
Qualifying Transfers	0	(933,000)	0
Qualifying Disbursements	<u>(170,881)</u>	<u>(146,673)</u>	<u>0</u>
Totals	<u>\$119,933</u>	<u>(\$869,730)</u>	<u>\$85,496</u>
Allowable Carry Forward for Fiscal Year 2006	0	(29,226)	0
Allowable Carry Forward at June 30, 2005	(456,914)	(3,548,337)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$336,981)</u>	<u>(\$3,577,563)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2006	<u>\$0</u>	<u>\$0</u>	<u>\$85,496</u>

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

NOTE 19 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other 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, 2006

B. Litigation

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 20 – SUBSEQUENT EVENTS

Investments: On August 15, 2006, the \$1,013,170 Federal Home Loan Bank Note held by the School District matured. The School District subsequently purchased a Federal National Mortgage Association Note with a par value of \$1,163,000 at 98.653% for \$1,147,339, which has a maturity date of February 15, 2007, and carries a credit rating of AAA.

Contracts: The School District Board of Education, at a Special Board meeting held on August 28, 2006, awarded the following contracts for the Classroom Facilities Project:

Description	Contractor	Bid Amount
General Construction	Kreidler Construction of Youngstown, OH	\$2,670,000
Roofing	Mansuetto Roofing of Martins Ferry, OH	\$217,000
Flooring	Flag Floors of Barnesville, OH	\$87,900
Fire Protection, Plumbing HVAC Combined Bid	Prout Boiler and Welding of Youngstown, OH	\$1,248,000
Electrical	ACJ Electric of Rayland, OH	\$835,000

**STEBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2006**

Federal Grantor/Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast	02-PU-02	10.553	\$165,660		\$165,660	
National School Lunch Program	04-PU-02	10.555	432,235		432,235	
Childcare Food Program	05-PU-02	10.558			633	
Total Nutrition Cluster			597,895		598,528	
Food Distribution Program	03-PU-02	10.550		\$22,750		\$22,750
Total U.S. Department of Agriculture			597,895	22,750	598,528	22,750
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Impact Aid		84.041	5,730			
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-05 C1-S1-06	84.010	981,209		26,024 980,495	
Title I Neglected			40,310		40,231	
Total Title I - Grants to Local Education Agencies			1,021,519		1,046,750	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	MS-S1-05 MS-S1-06	84.027	720,961		3,897 716,713	
Subtotal			720,961		720,610	
Special Education - Preschool Grant	PG-05 PG-06	84.173	37,822		153 37,822	
Subtotal			37,822		37,975	
Parent Mentor	FY 05 FY 06	84.173	24,375		2,614 24,284	
Subtotal			24,375		26,898	
Subtotal		84.173	62,197		64,873	
Total Special Education Cluster			783,158		785,483	
Even Start Program	ES-S1-05 ES-S1-06	84.213	83,793		1,989 83,378	
Total Even Start Program			83,793		85,367	
Innovative Education Program Strategies	C2-S1-05 C2-S1-06	84.298	10,435		47 10,435	
Total Innovative Education Program			10,435		10,482	
Title II-A Improving Tchr Quality Program	FY 05 FY 06	84.367	219,158		219,158	
Total Title II-A Improving Teacher Quality Program			219,158		219,158	
Safe and Drug Free Schools and Communities - State Grants	DR-S1-05 DR-S1-06	84.186	26,514		277 26,514	
Total Safe and Drug Free Schools and Communities - State Grants			26,514		26,791	
Education Technology State Grants Title II-D	FY 05 FY 06	84.318	17,853		7 17,853	
Total Education Technology State Grants Title II-D			17,853		17,860	
Total Department of Education			2,168,160		2,191,890	
U.S. Department of Health and Human Services						
<i>Passed through the Ohio Department of Mental Retardation and Development Disabilities</i>						
Community Alternative Funding	FY 05	93.778	16,262		16,262	
Total Department of Health & Human Services			16,262		16,262	
Total Federal Awards			\$2,782,317	\$22,750	\$2,806,680	\$22,750

See the notes to the Federal Awards Expenditures schedule.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2006**

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's Federal Award Programs. The Schedule has been prepared using the cash basis of accounting.

2. CHILD NUTRITION CLUSTER

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

3. FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

Steubenville City School District
Jefferson County
1400 West Adams Street
P.O. Box 189
Steubenville, Ohio 43952

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Steubenville City School District, Jefferson County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements have issued our report thereon dated April 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 3, 2007, we reported other matters involving internal control over financial reporting and its operation that we did not deem reportable conditions.

Compliance and Other Matters

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

Steubenville City School District
Jefferson County
Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

April 3, 2007



Mary Taylor, CPA

Auditor of State

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

Steubenville City School District
Jefferson County
1400 West Adams Street
P.O. Box 189
Steubenville, Ohio 43952

To the Board of Education:

Compliance

We have audited the compliance of the Steubenville City School District, Jefferson County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The District's management 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Steubenville City School District
Jefferson County
Independent Accountants' Report on Compliance with
Requirements Applicable to Each Major Federal Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133
Page 2

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated April 3, 2007.

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

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

Mary Taylor, CPA
Auditor of State

April 3, 2007

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under ' .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: 84.027 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None	
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3. FINDINGS FOR FEDERAL AWARDS

None	
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Mary Taylor, CPA
Auditor of State

STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 26, 2007