



Mary Taylor, CPA
Auditor of State

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, Ohio, as of June 30, 2009, and the changes in financial position and where applicable cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

January 8, 2010

Steubenville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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, 2009. 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 2009 are as follows:

- Net assets of governmental activities increased \$2,934,585.
- General revenues accounted for \$17,019,673 in revenue or 62 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$10,220,320 or 38 percent of total revenues of \$27,239,993.
- Total assets increased \$1,835,767. Current assets decreased by \$4,255,512 primarily due to a decrease in pooled cash and cash equivalents and investments from the local share of the classroom facilities project. Capital assets increased \$6,091,279 due primarily to capital asset additions associated with the classroom facilities project which were offset by annual depreciation expense on depreciable capital assets.
- The School District had \$24,305,408 in expenses related to governmental activities; only \$10,220,320 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$17,019,673 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 \$17,303,564 in revenues and \$17,029,055 in expenditures. Including other financing sources (uses), the General Fund's balance decreased \$697,782. The Debt Service Fund had \$1,220,840 in revenues and \$1,121,108 in expenditures. Including transfers in, the Debt Service Fund's balance increased \$363,284. The Permanent Improvement Fund had \$224,453 in revenues and \$1,502,997 in expenditures. Including other financing sources, the Permanent Improvement Fund's balance decreased \$750,294. The Classroom Facilities Fund had \$2,738,719 in revenues and \$5,257,508 in expenditures. Including transfers in, the Classroom Facilities Fund balance decreased \$2,303,635.

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, 2009
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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 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 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, 2009
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 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$22,240,825	\$26,496,337	(\$4,255,512)
Capital Assets	52,099,796	46,008,517	6,091,279
Total Assets	74,340,621	72,504,854	1,835,767
Liabilities			
Long-Term Liabilities	13,460,824	13,885,400	(424,576)
Other Liabilities	6,528,556	7,202,798	(674,242)
Total Liabilities	19,989,380	21,088,198	(1,098,818)
Net Assets			
Invested in Capital Assets, Net of Related Debt	42,872,508	39,373,377	3,499,131
Restricted	8,797,664	8,609,540	188,124
Unrestricted	2,681,069	3,433,739	(752,670)
Total Net Assets	\$54,351,241	\$51,416,656	\$2,934,585

Total assets increased \$1,835,767. Current assets decreased by \$4,255,512 primarily due to a decrease in cash and cash equivalents and investments from the local share of the classroom facilities project. Capital assets increased \$6,091,279 due to the addition of capital assets related to the classroom facilities project which was offset by annual depreciation expense on depreciable capital assets.

Total liabilities decreased \$1,098,818 due primarily to a decrease for contracts and retainage payable related to the construction project, as well as annual debt service payments on long term debt.

Stuebenville City School District
Management's Discussion and Analysis
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Table 2 shows the changes in net assets for the fiscal year 2009 compared to fiscal year 2008.

Table 2
Changes in Net Assets

	Governmental Activities		
	2009	2008	Change
Revenues			
Program Revenues			
Charges for Services	\$3,323,531	\$2,870,505	\$453,026
Operating Grants and Contributions	6,564,578	6,300,209	264,369
Capital Grants and Contributions	332,211	201,143	131,068
Total Program Revenues	10,220,320	9,371,857	848,463
General Revenues			
Property Taxes	4,186,480	4,899,488	(713,008)
Grants and Entitlements not Restricted to Specific Programs	12,398,603	8,748,950	3,649,653
Others	434,590	1,105,775	(671,185)
Total General Revenues	17,019,673	14,754,213	2,265,460
Total Revenues	27,239,993	24,126,070	3,113,923
Program Expenses			
Instruction			
Regular	8,836,664	9,095,019	(258,355)
Special	3,524,953	3,556,769	(31,816)
Vocational	861,217	1,079,293	(218,076)
Student Intervention Services	660,437	0	660,437
Support Services			
Pupil	909,750	1,103,112	(193,362)
Instructional Staff	769,831	746,020	23,811
Board of Education	37,889	35,878	2,011
Administration	2,174,916	1,892,430	282,486
Fiscal	410,186	409,495	691
Business	204,243	178,023	26,220
Operation and Maintenance of Plant	2,499,152	2,282,366	216,786
Pupil Transportation	552,392	381,637	170,755
Central	16,264	17,553	(1,289)
Operation of Non-Instructional Services	603,322	452,748	150,574
Food Service Operations	946,737	890,026	56,711
Extracurricular Activities	720,218	630,311	89,907
Interest and Fiscal Charges	577,237	612,653	(35,416)
Total Expenses	24,305,408	23,363,333	942,075
Increase in Net Assets	2,934,585	762,737	2,171,848
Net Assets Beginning of Year	51,416,656	50,653,919	762,737
Net Assets End of Year	\$54,351,241	\$51,416,656	\$2,934,585

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In 2009, 15 percent of the School District's revenues were from property taxes, and 46 percent were from unrestricted grants and entitlements.

Instructional programs comprise approximately 57 percent of total governmental program expenses and reflected a \$152,190 increase from fiscal year 2008. Overall, program expenses of the School District increased by \$942,075, with the largest increases being reflected in support service administration and operation and maintenance of plant services. In previous years, the student intervention costs were included with regular instruction. These increases were offset by reductions in vocational instruction services and support services pupil accounts.

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 2009 compared to fiscal year 2008. 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	
	2009	2008	2009	2008
Instruction				
Regular	\$8,836,664	\$9,095,019	\$4,624,838	\$4,728,162
Special	3,524,953	3,556,769	1,370,752	1,440,594
Vocational	861,217	1,079,293	697,307	928,739
Student Intervention Service	660,437	0	99,798	0
Support Services				
Pupil	909,750	1,103,112	615,245	690,527
Instructional Staff	769,831	746,020	294,719	255,540
Board of Education	37,889	35,878	37,889	35,878
Administration	2,174,916	1,892,430	2,019,138	1,734,754
Fiscal	410,186	409,495	176,907	407,539
Business	204,243	178,023	204,243	178,023
Operation and Maintenance of Plant	2,499,152	2,282,366	2,402,650	2,257,954
Pupil Transportation	552,392	381,637	539,950	374,649
Central	16,264	17,553	10,019	8,262
Operation of Non-Instructional Services	603,322	452,748	101,866	13,648
Food Service Operations	946,737	890,026	46,499	32,906
Extracurricular Activities	720,218	630,311	266,031	291,648
Interest and Fiscal Charges	577,237	612,653	577,237	612,653
Total Expenses	\$24,305,408	\$23,363,333	\$14,085,088	\$13,991,476

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 58 percent of expenses are supported through taxes and other general revenues.

The School District Funds

Information about the School District funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. Total Governmental funds had \$28,398,662 in revenues and other financing sources and \$31,753,723 in expenditures and other financing uses. Total Governmental fund's balance decreased \$3,355,061 primarily due to the construction of the new facilities.

Steubenville City School District
Management's Discussion and Analysis
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General Fund Budgeting Highlights

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

During the course of fiscal 2009 the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. There no were significant changes between the original and final budget. The actual results of operations were significantly different than budgeted amounts as spending in most categories were lower than budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$52,099,796 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, 2009, the School District had \$12,370,587 in bonds outstanding.

Table 4
Outstanding Debt at Year End
Governmental Activities

	2009	2008
1993 High School Addition and Improvement Serial Bonds	\$525,000	\$565,000
1998 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	4,727,387	5,105,278
2000 School Facilities Serial, Term, and Capital Appreciation Bonds	2,487,960	2,598,151
2007 Qualified Zone Academy Bonds	700,000	700,000
2005 Qualified Zone Academy Bonds	3,930,240	3,930,240
Total	\$12,370,587	\$12,898,669

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

Economic Factors

In fiscal year 2009, the Steubenville City School District entered the final stage of its transition plan for the educational remodeling and restructuring of its buildings and programs. As part of this plan, the elementary school buildings were consolidated from five schools to three schools. In July of 2008, various items from each of the closed buildings were sold at a public auction. In January of 2009, Lincoln Elementary School, one of the closed schools, was sold to a private owner at a bid price of \$28,250. Two of the other vacated schools, Buena Vista Elementary and Wells Elementary, were approved for demolition in June of 2009, with the demolition to take place by August of 2009. The remaining closed school, Roosevelt Elementary, is slated for sale at a future date.

Also during the 2009 school year, strategic planning occurred to develop the next phase of the plan, which is scheduled to occur in August of 2009. This phase will entail the restructuring the district elementary grade levels from a Kindergarten to Grade 5 building level system to a Pre-K to Grade 4

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Management's Discussion and Analysis
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system, with the fifth grade scheduled to be transferred to Harding Middle School. The 2008-2009 school year also marked the last year that the pre-school students were housed in the McKinley Early Learning Center. The school building is slated for closure at the end of 2008-09 school year, after which time the pre-school program will be incorporated into the elementary schools. The McKinley building will remain open and will continue to be used to house the School District administration offices.

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

In August of 2006, the School District entered into agreement with Bank of America and US Bank for the purpose of acquiring funding for the QZAB. Funds were earmarked for the renovation of the two qualifying schools, Garfield East Elementary and Steubenville High School. Additionally, using allocated School District monies, property at the west end of town was purchased from the City of Steubenville, and was used to build the new Pugliese West Elementary School. The Charles M. and Thelma M. Pugliese Charitable Foundation pledged \$1 million toward the construction of the West Elementary building, which earned them naming rights to the new structure. Construction at the Garfield East Elementary School was completed in December of 2007, at which time Roosevelt School was closed. When the students and staff from Roosevelt returned from their Christmas break in January of 2008, they occupied the new East Elementary School for the first time. The renovations at Steubenville High and West Elementary Schools were completed in the fall of 2008, with the dedication of the buildings taking place in December of 2008.

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

Other renovations to School District facilities during the 2008-2009 school year included: installation of school zone traffic markings and additional site work at Pugliese West Elementary School, as well as chimney repairs, elevator repairs, a gymnasium heating system replacement and extensive weight room renovations at Steubenville High School. The weight room project, which included the purchase of state-of-the-art equipment, was funded mainly through donations to the athletic program from various "Big Red" supporters. Another "Big Red" supporter, the Stern Family, also made a substantial donation to renovate the upper level gymnasium at the high school. Dedication for the renovated gymnasium took place in November of 2008.

In addition to the building project improvements undertaken during fiscal year 2009, the School District successfully ratified a three-year contract with the Steubenville Education Association in August of 2008. The contract will remain in effect from September 1, 2008 through August 31, 2011. The Success for All reading, math, and curiosity corner programs continue to be implemented in the Steubenville City School District, and the programs have made a positive impact on student achievement and state standardized test

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Unaudited

scores. This year, the School District received an excellent rating on the State Report Card, meeting twenty-nine of the thirty indicators. Additionally, the School District's performance index was a 99.4, marking the fifth consecutive year that the School District reached in the high nineties. School District Destination Imagination teams were also honored with local and regional accolades for their performances at competition.

During the 2008-2009 school year, Wells Academy also received two national awards of distinction. They were named a Title I National School of Promise, and they were one of four schools throughout the country to receive a "Dispelling the Myth" Award by the Education Trust in Washington DC.

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

Contacting the School District's Financial Management

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

Steubenville City School District
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$14,275,651
Intergovernmental Receivable	167,086
Accrued Interest Receivable	8,155
Prepaid Items	12,008
Materials and Supplies Inventory	22,628
Property Taxes Receivable	5,894,198
Investments with Fiscal Agents	1,732,163
Deferred Charges	128,936
Non-Depreciable Capital Assets	6,421,487
Depreciable Capital Assets, Net	45,678,309
<i>Total Assets</i>	74,340,621
Liabilities	
Accounts Payable	35,837
Accrued Wages and Benefits Payable	1,603,945
Intergovernmental Payable	465,167
Retainage Payable	112,819
Contracts Payable	8,740
Vacation Benefits Payable	31,397
Matured Severance Payable	84,346
Accrued Interest Payable	24,708
Claims Payable	313,233
Deferred Revenue	3,848,364
Long-Term Liabilities:	
Due Within One Year	871,227
Due In More Than One Year	12,589,597
<i>Total Liabilities</i>	19,989,380
Net Assets	
Invested in Capital Assets, Net of Related Debt	42,872,508
Restricted for:	
Debt Service	3,738,444
Capital Outlay	2,487,503
Budget Stabilization	85,496
Bus Purchases	89,437
State Programs	7,309
Federal Programs	121,865
Food Service	138,905
Preschool Programs	317,648
Classroom Facilities Maintenance	1,142,606
Other Purposes	668,451
Unrestricted	2,681,069
<i>Total Net Assets</i>	\$54,351,241

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	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	\$8,836,664	\$2,567,840	\$1,448,986	\$195,000	(\$4,624,838)
Special	3,524,953	12,829	2,129,436	11,936	(1,370,752)
Vocational	861,217	158,818	5,092	0	(697,307)
Student Intervention Services	660,437	0	560,639	0	(99,798)
Support Services:					
Pupil	909,750	5,915	288,590	0	(615,245)
Instructional Staff	769,831	34,602	440,510	0	(294,719)
Board of Education	37,889	0	0	0	(37,889)
Administration	2,174,916	0	155,778	0	(2,019,138)
Fiscal	410,186	1,753	231,526	0	(176,907)
Business	204,243	0	0	0	(204,243)
Operation and Maintenance of Plant	2,499,152	26,030	70,472	0	(2,402,650)
Pupil Transportation	552,392	11,936	506	0	(539,950)
Central	16,264	0	6,245	0	(10,019)
Operation of Non-Instructional Services	603,322	0	501,456	0	(101,866)
Food Service Operations	946,737	174,896	725,342	0	(46,499)
Extracurricular Activities	720,218	328,912	0	125,275	(266,031)
Interest and Fiscal Charges	577,237	0	0	0	(577,237)
<i>Total Governmental Activities</i>	<u>\$24,305,408</u>	<u>\$3,323,531</u>	<u>\$6,564,578</u>	<u>\$332,211</u>	<u>(14,085,088)</u>

General Revenues

Property Taxes Levied for General Purposes	3,209,109
Property Taxes Levied for Debt Service	912,265
Property Taxes Levied for Building Maintenance	65,106
Grants and Entitlements not Restricted to Specific Programs	12,398,603
Gifts and Donations	78,933
Investment Earnings	243,244
Miscellaneous	112,413
<i>Total General Revenues</i>	<u>17,019,673</u>
Change in Net Assets	2,934,585
<i>Net Assets Beginning of Year</i>	<u>51,416,656</u>
<i>Net Assets End of Year</i>	<u>\$54,351,241</u>

See accompanying notes to the basic financial statements.

Steubenville City School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$3,455,434	\$1,658,495	\$1,571,551	\$2,103,705	\$2,948,851	\$11,738,036
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	174,933	0	0	112,819	0	287,752
Investments with Fiscal and Escrow Agents	0	1,732,163	0	0	0	1,732,163
Receivables:						
Property Taxes	4,582,124	1,222,113	0	0	89,961	5,894,198
Intergovernmental	167,086	0	0	0	0	167,086
Accrued Interest	8,155	0	0	0	0	8,155
Prepaid Items	332	0	0	0	11,676	12,008
Materials and Supplies Inventory	16,143	0	0	0	6,485	22,628
<i>Total Assets</i>	<u>\$8,404,207</u>	<u>\$4,612,771</u>	<u>\$1,571,551</u>	<u>\$2,216,524</u>	<u>\$3,056,973</u>	<u>\$19,862,026</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$7,335	\$0	\$2,340	\$24,168	\$1,994	\$35,837
Contracts Payable	0	0	0	8,740	0	8,740
Accrued Wages and Benefits	1,590,366	0	0	0	13,579	1,603,945
Matured Severance Payable	84,346	0	0	0	0	84,346
Intergovernmental Payable	433,114	0	0	0	32,053	465,167
Retainage Payable	0	0	0	112,819	0	112,819
Deferred Revenue	4,479,923	1,139,513	0	0	84,136	5,703,572
<i>Total Liabilities</i>	<u>6,595,084</u>	<u>1,139,513</u>	<u>2,340</u>	<u>145,727</u>	<u>131,762</u>	<u>8,014,426</u>
Fund Balances						
Reserved for Encumbrances	359,582	0	197,753	558,401	539,568	1,655,304
Reserved for Property Taxes	277,442	82,600	0	0	5,825	365,867
Reserved for Budget Stabilization	85,496	0	0	0	0	85,496
Reserved for Bus Purchases	89,437	0	0	0	0	89,437
Unreserved:						
Designated for Budget Stabilization	256,710	0	0	0	0	256,710
Designated for Textbooks	684,609	0	0	0	0	684,609
Designated for Capital Maintenance	55,847	0	0	0	0	55,847
Undesignated, Reported in:						
Special Revenue Funds	0	0	0	0	2,318,084	2,318,084
Debt Service Funds	0	3,390,658	0	0	0	3,390,658
Capital Projects Funds	0	0	1,371,458	1,512,396	61,734	2,945,588
<i>Total Fund Balances</i>	<u>1,809,123</u>	<u>3,473,258</u>	<u>1,569,211</u>	<u>2,070,797</u>	<u>2,925,211</u>	<u>11,847,600</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,404,207</u>	<u>\$4,612,771</u>	<u>\$1,571,551</u>	<u>\$2,216,524</u>	<u>\$3,056,973</u>	<u>\$19,862,026</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, 2009*

Total Governmental Fund Balances \$11,847,600

*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. 52,099,796

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

Grants	167,086	
Property Taxes	1,679,967	
Interest	8,155	
Total		1,855,208

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 128,936

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 1,936,630

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

General Obligation Bonds - Serial / Term	5,730,000	
General Obligation Bonds - Capital Appreciation Bonds	643,312	
Compensated Absences	1,090,237	
Vacation Benefits Payable	31,397	
Qualified Zone Academy Bonds	4,630,240	
Accrued Interest Payable	24,708	
Accretion on Capital Appreciation Bonds	1,367,035	
Total		<u>(13,516,929)</u>

Net Assets of Governmental Activities \$54,351,241

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2009

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$3,234,381	\$917,630	\$0	\$0	\$65,546	\$4,217,557
Intergovernmental	11,096,174	231,473	25,283	2,709,134	5,021,029	19,083,093
Interest	137,137	71,737	4,170	29,585	6,860	249,489
Tuition and Fees	2,748,498	0	0	0	43,442	2,791,940
Extracurricular Activities	0	0	0	0	320,892	320,892
Rent	4,578	0	0	0	15,135	19,713
Contributions and Donations	1,722	0	195,000	0	202,486	399,208
Charges for Services	0	0	0	0	190,986	190,986
Miscellaneous	81,074	0	0	0	31,339	112,413
<i>Total Revenues</i>	<u>17,303,564</u>	<u>1,220,840</u>	<u>224,453</u>	<u>2,738,719</u>	<u>5,897,715</u>	<u>27,385,291</u>
Expenditures						
Current:						
Instruction:						
Regular	7,280,351	0	4,428	0	1,369,536	8,654,315
Special	2,525,737	0	0	0	818,515	3,344,252
Vocational	818,022	0	0	0	5,876	823,898
Student Intervention Services	78,222	0	0	0	582,215	660,437
Support Services:						
Pupil	579,324	0	0	0	300,876	880,200
Instructional Staff	168,087	0	0	0	451,367	619,454
Board of Education	37,889	0	0	0	0	37,889
Administration	1,792,716	0	0	0	168,355	1,961,071
Fiscal	361,066	25,690	0	0	3,704	390,460
Business	183,488	0	3,584	0	15,523	202,595
Operation and Maintenance of Plant	2,418,693	0	0	0	68,642	2,487,335
Pupil Transportation	509,614	0	0	0	475	510,089
Central	9,058	0	0	0	7,206	16,264
Operation of Non-Instructional Services	1,124	0	0	0	589,451	590,575
Food Service Operations	0	0	0	0	934,840	934,840
Extracurricular Activities	265,664	0	0	0	546,102	811,766
Capital Outlay	0	0	1,494,985	5,257,508	1,666	6,754,159
Debt Service:						
Principal Retirement	0	339,623	0	0	0	339,623
Interest and Fiscal Charges	0	315,418	0	0	0	315,418
CAB Accretion	0	440,377	0	0	0	440,377
<i>Total Expenditures</i>	<u>17,029,055</u>	<u>1,121,108</u>	<u>1,502,997</u>	<u>5,257,508</u>	<u>5,864,349</u>	<u>30,775,017</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>274,509</u>	<u>99,732</u>	<u>(1,278,544)</u>	<u>(2,518,789)</u>	<u>33,366</u>	<u>(3,389,726)</u>
Other Financing Sources (Uses)						
Transfers In	0	263,552	500,000	215,154	0	978,706
Sale of Capital Assets	6,415	0	28,250	0	0	34,665
Transfers Out	(978,706)	0	0	0	0	(978,706)
<i>Total Other Financing Sources (Uses)</i>	<u>(972,291)</u>	<u>263,552</u>	<u>528,250</u>	<u>215,154</u>	<u>0</u>	<u>34,665</u>
<i>Net Change in Fund Balances</i>	<u>(697,782)</u>	<u>363,284</u>	<u>(750,294)</u>	<u>(2,303,635)</u>	<u>33,366</u>	<u>(3,355,061)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,506,905</u>	<u>3,109,974</u>	<u>2,319,505</u>	<u>4,374,432</u>	<u>2,891,845</u>	<u>15,202,661</u>
<i>Fund Balances End of Year</i>	<u>\$1,809,123</u>	<u>\$3,473,258</u>	<u>\$1,569,211</u>	<u>\$2,070,797</u>	<u>\$2,925,211</u>	<u>\$11,847,600</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, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$3,355,061)

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	7,556,377	
Depreciation	(1,427,493)	
Total	6,128,884	6,128,884

Capital Assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities (37,605)

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

Property Taxes	(31,077)	
Grants	(107,976)	
Interest	(6,269)	
Total	(145,322)	(145,322)

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

General Obligation Bonds	185,000	
Capital Appreciation Bonds	154,623	
Payment of Capital Appreciation Bond Accretion	440,377	
Total	780,000	780,000

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

Accrued Interest	696	
Accretion of Interest	(251,918)	
Total	(251,222)	(251,222)

Issuance cost are reported as an expenditure when paid in governmental fund, but are allocated as an expense over the life of the outstanding debt on the statement of activities (10,597)

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

Vacation Benefits Payable	(9,959)	
Compensated Absences	(103,506)	
Total	(113,465)	(113,465)

The internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund are allocated among governmental activities. (61,027)

Change in Net Assets of Governmental Activities \$2,934,585

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$3,837,626	\$3,305,948	\$3,305,948	\$0
Intergovernmental	10,678,934	11,096,174	11,096,174	0
Interest	393,565	137,065	137,137	72
Tuition and Fees	2,077,646	2,748,105	2,748,498	393
Rent	1,983	3,855	4,578	723
Contributions and Donations	3,333	1,198	1,722	524
Miscellaneous	50,949	80,892	81,074	182
<i>Total Revenues</i>	<u>17,044,036</u>	<u>17,373,237</u>	<u>17,375,131</u>	<u>1,894</u>
Expenditures				
Current:				
Instruction:				
Regular	7,832,559	7,628,035	7,037,812	590,223
Special	2,661,909	2,669,012	2,588,968	80,044
Vocational	1,020,921	983,421	828,456	154,965
Student Intervention Services	75,896	78,222	78,222	0
Support Services:				
Pupil	776,859	780,359	585,021	195,338
Instructional Staff	207,651	202,151	174,205	27,946
Board of Education	78,837	80,252	41,214	39,038
Administration	1,680,901	1,802,395	1,739,600	62,795
Fiscal	382,054	415,054	379,138	35,916
Business	242,191	242,191	186,962	55,229
Operation and Maintenance of Plant	2,566,729	2,694,038	2,545,864	148,174
Pupil Transportation	488,783	659,630	515,186	144,444
Central	7,500	9,500	9,058	442
Operation of Non-Instructional Services	573	1,600	1,124	476
Extracurricular Activities	292,263	292,413	273,386	19,027
Capital Outlay	819	319	0	319
<i>Total Expenditures</i>	<u>18,316,445</u>	<u>18,538,592</u>	<u>16,984,216</u>	<u>1,554,376</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,272,409)</u>	<u>(1,165,355)</u>	<u>390,915</u>	<u>1,556,270</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,000	6,415	6,415	0
Payment to QZAB Escrow Agent	(500,000)	(700)	0	700
Transfers Out	(468,600)	(1,036,710)	(978,706)	58,004
Advances Out	(10,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(977,600)</u>	<u>(1,030,995)</u>	<u>(972,291)</u>	<u>58,704</u>
<i>Net Change in Fund Balance</i>	<u>(2,250,009)</u>	<u>(2,196,350)</u>	<u>(581,376)</u>	<u>1,614,974</u>
<i>Fund Balance Beginning of Year</i>	<u>3,538,097</u>	<u>3,538,097</u>	<u>3,538,097</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>308,267</u>	<u>308,267</u>	<u>308,267</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,596,355</u></u>	<u><u>\$1,650,014</u></u>	<u><u>\$3,264,988</u></u>	<u><u>\$1,614,974</u></u>

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2009

	Governmental Activity
	Internal Service Fund
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,249,863
 Current Liabilities	
Claims Payable	313,233
 Net Assets	
Unrestricted	\$1,936,630

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, 2009

	<u>Governmental Activity</u> <u>Internal Service</u> <u>Fund</u>
Operating Revenues	
Charges for Services	<u>\$2,890,852</u>
Operating Expenses	
Purchased Services	346,146
Claims	<u>2,605,757</u>
<i>Total Operating Expenses</i>	<u>2,951,903</u>
<i>Operating Loss</i>	(61,051)
Non-Operating Revenues	
Interest	<u>24</u>
<i>Change in Net Assets</i>	(61,027)
<i>Net Assets Beginning of Year</i>	<u>1,997,657</u>
<i>Net Assets End of Year</i>	<u><u>\$1,936,630</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, 2009

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$2,890,852
Cash Payments for Services	(346,146)
Cash Payments for Claims	(2,774,008)
	(229,302)
<i>Net Cash Used for Operating Activities</i>	(229,302)
Cash Flows from Investing Activities	
Interest	24
	24
<i>Net Cash Provided by Investing Activities</i>	24
<i>Net Decrease in Cash and Cash Equivalents</i>	(229,278)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,479,141
<i>Cash and Cash Equivalents End of Year</i>	\$2,249,863
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$61,051)
Decrease in Claims Payable	(168,251)
	(168,251)
<i>Net Cash Used for Operating Activities</i>	(\$229,302)

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust Funds	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$293,383	\$26,648
Investments	51,772	0
<i>Total Assets</i>	345,155	\$26,648
Liabilities		
Due to Students	0	\$26,648
Net Assets		
Held in Trust for Scholarships	345,155	
<i>Total Net Assets</i>	\$345,155	

See accompanying notes to the basic financial statements.

Steubenville City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust Funds
Additions	
Contributions and Donations	\$70,968
Investment Income	(29,938)
Total Additions	41,030
Deductions	
Scholarships Awarded	73,565
<i>Net Change in Fund Balance</i>	(32,535)
<i>Net Assets Beginning of Year</i>	377,690
<i>Net Assets End of Year</i>	\$345,155

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, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1838. The School District serves an area of 8.56 square miles in the City of Steubenville. It is located in Jefferson County on the Ohio River, thirty-seven miles west of Pittsburgh, Pennsylvania. It is staffed by 87 non-certificated employees, 187 certificated full-time teaching personnel, and 21 administrative employees who provide services to 2,413 students and other community members. The School District currently operates 3 elementary schools, 1 middle school, 1 high school, and 1 administrative center.

Reporting Entity:

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

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

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

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

The School District is involved with the Jefferson County Joint Vocational School, the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), and the Educational Regional Service System Region 12 (ERSS), which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan which is defined as an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the financial statements.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, general fund transfers, and the sale of capital assets which are used to finance various capital projects in the School District.

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

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

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

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

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

C. Measurement Focus

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

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

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

D. Basis of Accounting

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

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

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

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

Steubenville City School District
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Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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 2009, investments were limited to mutual funds, common stock, preferred stock, non-negotiable certificates of deposit, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, 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, 2009.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$137,137, which includes \$103,585, assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

enabling legislation. Restricted assets in governmental funds represent unexpended revenues restricted for the purchase of buses, amounts in a debt service fiscal agent account restricted by debt covenants for future debt service payments, amounts required by State Statute to be set-aside by the School District for budget stabilization, and amounts withheld on construction contracts until the successful completion of the contract. See Note 18 for additional information regarding set-asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Bond Discounts, Premiums, and Issuance Costs

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

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

N. Internal Activity

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

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

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

O. Fund Balance Reserves/Designations

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

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

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

P. Net Assets

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

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

S. Estimates

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

T. Budgetary Data

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2009, Steubenville City School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations, GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and GASB Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 52 requires endowments, including permanent funds, to report land and other real estate investments at fair value, and to report the changes in fair value as investment income. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board’s (GASB) authoritative literature. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. The implementation of this statement did not result in any change to the financial statements.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

Net Change in Fund Balance

	General
GAAP Basis	(\$697,782)
Revenue Accruals	71,567
Expenditure Accruals	410,218
Encumbrances	(365,379)
Budget Basis	(\$581,376)

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

Steubenville City School District
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For the Fiscal Year Ended June 30, 2009

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,638,590 of the School District's bank balance of \$9,138,590 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments

As of June 30, 2009, the School District had the following investments: Star Ohio which is part of the internal investment pool, a Federal Home Loan Bank Note, a Federal National Mortgage Association Note, and a mutual fund that are held by a Fiscal Agent for future Debt Service, and mutual funds and stock that are donated assets which are held for the private purpose trust fund.

Steubenville City School District
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	Value	Maturity	Total Investments	Rating	Agency
Mutual Funds	\$1,240	**	0.02%	AAA	S&P
Mutual Funds	670	**	0.01%	AA-	S&P
Mutual Funds	1,137	**	0.01%	A-	S&P
Mutual Funds	9,300	**	0.12%	BBB	S&P
Mutual Funds	1,535	**	0.02%	Aaa	Moody's
Common Stock	14,768	N/A	0.19%	A-	S&P
Common Stock	1,920	N/A	0.02%	B	S&P
Preferred Stock	16,595	N/A	0.21%	BBB	S&P
Common Stock	6,142	N/A	0.08%	BBB	S&P
FNMA Note	233,778	12/30/2009	2.95%	Aaa	Moody's
FHLB Note	1,496,850	8/15/2009 ^	18.91%	Aaa	Moody's
STAR Ohio	6,130,228	58.1 Days	77.46%	AAAm	S&P
Totals	<u>\$7,914,163</u>		<u>100.00%</u>		

** Not available to the School District at June 30, 2009.

^ = See subsequent event note (Note 20)

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

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

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

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008 on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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, 2009, are available to finance fiscal year 2009 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, 2009 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, 2009 was \$277,442 in the General Fund, \$82,600 in the Debt Service Fund, and \$5,825 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2008, was \$349,009 in the General Fund, \$103,139 in the Debt Service Fund, and \$7,296 in the Classroom Facilities Maintenance Special Revenue Fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$160,968,690	91.21%	\$164,523,580	94.89%
Public Utility Personal	8,979,720	5.09%	8,862,700	5.11%
General Business Property	6,542,518	3.70%	0	0.00%
	\$176,490,928	100.00%	\$173,386,280	100.00%
Tax Rate per \$1,000 of assessed valuation		\$35.35		\$35.35

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, accrued interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$1,679,967 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Excess Cost Reimbursement	\$167,086

NOTE 8 – TRANSFERS

Interfund transfers for the year ended June 30, 2009 consisted of the following:

<u>Transfer from</u>	Transfer to			<u>Total</u>
	Major Funds			
	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Ohio School Facilities</u>	
General Fund	\$263,552	\$500,000	\$215,154	\$978,706

Stubenville City School District
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Transfers were used to move receipts from the General Fund to the Debt Service Fund for the annual debt service sinking payments to the QZAB debt service escrow accounts. See Long Term Debt Note 15 for further details. Transfers were also used to move receipts from the General Fund to the Permanent Improvement Capital Project Fund to cover building project expenses. In addition, the General Fund made transfers to the Ohio School Facilities Capital Projects Fund for locally funded initiative projects.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Nondepreciable Capital Assets:				
Land	\$6,205,876	\$215,611	\$0	\$6,421,487
Construction in Progress	18,794,878	0	(18,794,878)	0
Total Nondepreciable Capital Assets	25,000,754	215,611	(18,794,878)	6,421,487
Depreciable Capital Assets:				
Land Improvements	2,170,989	0	(44,005)	2,126,984
Buildings and Improvements	27,415,088	25,343,799	(432,003)	52,326,884
Furniture and Equipment	2,390,216	779,780	(330,497)	2,839,499
Vehicles	1,026,535	12,065	0	1,038,600
Total Depreciable Capital Assets	33,002,828	26,135,644	(806,505)	58,331,967
Accumulated Depreciation:				
Land Improvements	(1,169,870)	(63,189)	37,080	(1,195,979)
Buildings and Improvements	(8,647,101)	(1,152,513)	426,507	(9,373,107)
Furniture and Equipment	(1,323,841)	(166,187)	305,313	(1,184,715)
Vehicles	(854,253)	(45,604)	0	(899,857)
Total Accumulated Depreciation	(11,995,065)	(1,427,493)	768,900	(12,653,658)
Total Depreciable Capital Assets, Net	21,007,763	24,708,151	(37,605)	45,678,309
Governmental Capital Assets, Net	\$46,008,517	\$24,923,762	(\$18,832,483)	\$52,099,796

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

Instruction:	
Regular	\$697,377
Special	169,309
Vocational	105,298
Support Services:	
Pupil	34,575
Instructional Staff	92,586
Administration	149,827
Fiscal	13,535
Operation of Maintenance and Plant	63,747
Pupil Transportation	36,385
Extracurricular	28,182
Non Instructional Services	16,325
Food Service Operations	20,347
Total Depreciation Expense	<u><u>\$1,427,493</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 \$59,394,699. The fleet coverage has limits of liability of \$1,000,000 for each accident and \$2,000 medical payments for each accident.

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

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. The School District contracts with Medical Mutual of Ohio to provide third-party administration services of the self insurance plan. The Board pays 100 percent of the premiums which are \$1,543.38 for family coverage and \$571.12 for single coverage. The premium is paid from the fund that pays the salary of the covered employee.

The claims liability of \$313,233 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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>
2008	\$244,054	\$2,619,150	\$2,381,720	\$481,484
2009	481,484	2,605,757	2,774,008	313,233

For fiscal year 2009 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$186,629, \$161,126 and \$173,252 respectively; 45.58 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009, 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 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,306,178, \$1,292,631, and \$1,304,265 respectively; 81.95 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$9,428 made by the School District and \$21,099 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, 2009, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$85,410, \$73,527, and \$57,520 respectively; 45.58 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$15,398, \$11,610, and \$11,781 respectively; 45.58 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended

Steubenville City School District
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June 30, 2009, 2008, and 2007 were \$98,650, \$99,443, and \$98,579 respectively; 81.95 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Other Insurance Benefits

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

NOTE 14 – CONSTRUCTION COMMITMENT

As of June 30, 2009, the School District had contractual purchase commitments for the school facilities project. The amounts are as follows:

Contractor	Fund	Purchase Commitments	Amounts Paid as of June 30, 2009	Amounts Remaining on Contracts
<u>CAPITALIZED CONTRACTS:</u>				
<u>High School:</u>				
Climatech, Inc - HVAC	OSFC (010)	\$2,922,671	\$2,887,671	\$35,000
Ricciutti, Balog, & Assoc. - Architect	OSFC (010)	881,856	848,786	33,070
Conti Corporation - Plumbing / Electrical	OSFC (010)	2,648,947	2,648,947	0
Desalvo Construction - General Trades	OSFC (010)	4,047,374	4,047,374	0
Flag Floors - Flooring	OSFC (010)	183,303	183,303	0
Asbestos Abatement/Removal	OSFC (010)	238,115	238,115	0
Chimney Repairs - Gobraltar/Allied	OSFC (010)	107,944	107,944	0
S.A. Comunale Co. - Fire Protection	OSFC (010)	326,500	326,500	0
Otis Elevator/Fort Steuben Maintenance	OSFC (010)	65,433	65,433	0
Pensco - Gym Heating	OSFC (010)	588	588	0
Project Management Consultants	OSFC (010)	1,167	1,167	0
Apple Mobile - Storage Units	OSFC (010)	3,498	3,498	0
Accent Electronic	PI (003)	96,775	96,775	0
ACJ Electriect - Electrical	PI (003)	355,500	355,500	0
Comcast	PI (003)	45,670	45,670	0
Eckles Architecture	PI (003)	70,811	70,811	0
Grae Con	PI (003)	510,279	510,279	0
Lafayette Electric	PI (003)	55,830	55,830	0

Stuebenville City School District
Notes to the Basic Financial Statements
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Contractor	Fund	Purchase Commitments	Amounts Paid as of June 30, 2009	Amounts Remaining on Contracts
<u>CAPITALIZED CONTRACTS (Cont)</u>				
<u>East Elementary School:</u>				
ACJ Electric - Electrical	OSFC (010)	857,057	857,057	0
Ricciuitti, Balog, & Assoc. - Architect	OSFC (010)	363,541	363,541	0
Flag Floors - Flooring	OSFC (010)	91,768	91,768	0
Kreidler Construction	OSFC (010)	2,887,564	2,887,564	0
Mansuetto - Roofing	OSFC (010)	231,051	231,051	0
Prout - Fire Protection, Plumbing, HVAC	OSFC (010)	1,287,525	1,287,525	0
Project Management Consultants	OSFC (010)	1,167	1,167	0
<u>West Elementary School:</u>				
ACJ Electric - Electrical	OSFC (010)	894,809	894,809	0
Ricciuitti, Balog, & Assoc. - Architect	OSFC (010)	385,299	368,924	16,375
DeGol Carpet - Flooring	OSFC (010)	262,319	262,319	0
Desalvo Construction - General Trades	OSFC (010)	4,655,000	4,595,000	60,000
Kalkreuth Roofing - Roofing	OSFC (010)	270,367	270,367	0
Komar Plumbing	OSFC (010)	328,032	328,032	0
Prout Boiler, Heating - HVAC	OSFC (010)	939,311	939,311	0
Fire Protection S.A. Communale	OSFC (010)	82,133	82,133	0
Otis Elevator	OSFC (010)	63,632	57,097	6,535
ACA Engineering - Geotech Testing	OSFC (010)	23,557	23,557	0
HC Nutting - Mini-Piling	OSFC (010)	48,160	48,160	0
Matthews Wall - Steel Piers	OSFC (010)	832,256	832,256	0
Dave Snelting LLC - Consultant	OSFC (010)	1,300	1,300	0
Project Management Consultants	OSFC (010)	1,167	1,167	0
<u>Combined:</u>				
PCS - Construction Manager	OFSC (010)	1,454,824	1,429,947	24,877
Microman, Inc. - Video Distribution	OFSC (010)	354,594	354,594	0
Southeast Security - Access Control	OFSC (010)	295,834	295,834	0
Stanley Security Solutions - Clock System	OFSC (010)	317,000	317,000	0
World Radio - Cabling/Data Net/Telephone	OFSC (010)	887,164	887,164	0
Furnishings/Equipment	OFSC (010)	815,770	815,770	0
Miscellaneous Project Expense	OFSC (010)	988,642	988,642	0
Misc Project Expense (Paving / Landscaping)	PI (003)	998,209	998,209	0
<u>BV/Wells Demolition:</u>				
Ricciuitti, Balog, & Assoc. - Architect	OFSC (010)	12,068	9,050	3,018
Pro-Tech Environmental - Asbestos	OFSC (010)	8,800	8,800	0
Smart Surveying - Land Surveying	OFSC (010)	7,000	7,000	0
Cardinal - Asbestos Abatement	OFSC (010)	61,600	0	61,600
Total		\$33,270,781	\$33,030,306	\$240,475

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

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Principal Outstanding			Principal Outstanding	Amounts Due In
	6/30/08	Additions	Deductions	6/30/09	One Year
<i>1993 High School Addition and Improvements, Series A</i>					
Serial Bonds, \$951,384 @ 5.95%	\$565,000	\$0	\$40,000	\$525,000	\$45,000
<i>1998 Refunding Bonds, \$10,515,000</i>					
Term Bonds, \$8,130,000 @ 3.5%-5.25%	3,235,000	0	0	3,235,000	0
Capital Appreciation Bonds, \$512,935 @ 4.4%-4.55%	512,935	0	154,623	358,312	135,428
Accretion of Interest, \$1,872,065 @ 13.70-13.75%	1,357,343	217,109	440,377	1,134,075	459,572
<i>2000 School Facilities Bonds, \$3,640,000</i>					
Serial/Term Bonds, \$2,960,000 @ 4.4%-5.6%	2,115,000	0	145,000	1,970,000	155,000
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%	198,151	34,809	0	232,960	0
<i>2007 Qualified Zone Academy Bonds, \$700,000 @ 0%</i>					
	700,000	0	0	700,000	0
<i>2005 Qualified Zone Academy Bonds, \$3,930,240 @ 0%</i>					
	3,930,240	0	0	3,930,240	0
Total Bonds	12,898,669	251,918	780,000	12,370,587	795,000
Compensated Absences	986,731	155,946	52,440	1,090,237	76,227
Total General Long-Term Obligations	<u>\$13,885,400</u>	<u>\$407,864</u>	<u>\$832,440</u>	<u>\$13,460,824</u>	<u>\$871,227</u>

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

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

1998 Refunding General Obligation Bonds - On September 30, 1998, the School District issued \$10,515,000 in general obligation bonds. The bonds refunded \$8,643,616 of outstanding 1993 Series B School Improvement General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2022. Principal and accretion outstanding at June 30, 2009 amounted to \$4,727,387, including current year accretion of \$217,109. \$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, 2009 \$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, 2009 through December 1, 2011. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,790,000. For fiscal year 2009, \$595,000 of the capital appreciation bonds were repaid, and \$217,109 was accreted leaving a remaining total bond liability of \$1,492,387.

2000 School Facilities General Obligation Bonds - On November 1, 2000, the School District issued \$3,640,000 in voted general obligation bonds which included capital appreciation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program. The bonds were issued for a twenty-three year period with a final maturity at December 1, 2023. Principal and accretion outstanding at June 30, 2009 amounted to \$2,487,960 including current year accretion of \$34,809.

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

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

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

Steubenville City School District
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The capital appreciation bonds for the 2000 issue mature December 1, 2011 through December 1, 2014. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$680,000. For fiscal year 2009, \$34,809 was accreted for a total bond liability of \$517,960.

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

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

Annual requirements to retire general obligation debt outstanding at June 30, 2009 are as follows:

Principal and interest requirements to retire the 1993 High School Addition and Improvements 5.95% Series A Bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$45,000	\$31,406	\$76,406
2010	45,000	28,594	73,594
2011	50,000	25,625	75,625
2012	55,000	22,344	77,344
2013	60,000	18,751	78,751
2014-2018	270,000	35,314	305,314
Total	<u>\$525,000</u>	<u>\$162,034</u>	<u>\$687,034</u>

Steubenville City School District
Notes to the Basic Financial Statements
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Principal and interest requirements to retire the 1998 Refunding Variable Interest Bonds outstanding at June 30, 2009, including accreted interest of \$1,431,688 are as follows:

Fiscal Year	Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2010	\$0	\$169,838	\$135,428	\$459,572	\$135,428	\$629,410
2011	0	169,838	119,622	480,378	119,622	650,216
2012	0	169,838	103,262	491,738	103,262	661,576
2013	600,000	154,088	0	0	600,000	154,088
2014	625,000	121,932	0	0	625,000	121,932
2015-2017	2,010,000	158,027	0	0	2,010,000	158,027
Totals	<u>\$3,235,000</u>	<u>\$943,561</u>	<u>\$358,312</u>	<u>\$1,431,688</u>	<u>\$3,593,312</u>	<u>\$2,375,249</u>

Principal and interest requirements to retire the 2000 Classroom Facilities Variable Interest Bonds outstanding at June 30, 2009, including accreted interest of \$395,000 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2010	\$155,000	\$104,279	\$0	\$0	\$155,000	\$104,279
2011	160,000	96,600	0	0	160,000	96,600
2012	0	92,680	77,960	92,040	77,960	184,720
2013	0	92,680	73,590	96,410	73,590	189,090
2014	0	92,680	68,958	101,042	68,958	193,722
2015-2019	740,000	383,320	64,492	105,508	804,492	488,828
2020-2023	915,000	106,260	0	0	915,000	106,260
Totals	<u>\$1,970,000</u>	<u>\$968,499</u>	<u>\$285,000</u>	<u>\$395,000</u>	<u>\$2,255,000</u>	<u>\$1,363,499</u>

The School District's overall legal debt margin was \$12,383,661 with an unvoted debt margin of \$172,006 at June 30, 2009.

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 2009, the School District made no contributions to the Vocational School District. To obtain financial information write to the Jefferson County Joint Vocational School, Treasurer, at 1509 County Highway 22A, Bloomingdale, Ohio 43910.

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Guernsey, Harrison, Holmes, Jefferson, Muskingum, Monroe, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access and cooperative purchasing services to member districts. The School District participates in the natural gas sales service program. This program allows schools to purchase natural gas at reduced rates. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage and any necessary adjustments are made. During fiscal year 2009, the total amount paid to OME-RESA from the School District was \$263,420 for cooperative gas purchasing services and \$65,895 for financial accounting services, educational management information, and internet access. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Coalition of Rural and Appalachian Schools (CORAS) - The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2009.

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

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 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, 2008	\$0	\$0	\$85,496
Current Year Set-aside Requirement	285,132	285,132	0
Current Year Offsets	0	(567,017)	0
Qualifying Disbursements	<u>(221,807)</u>	<u>(277,561)</u>	<u>0</u>
Totals	<u>\$63,325</u>	<u>(\$559,446)</u>	<u>\$85,496</u>
Allowable Carry Forward for Fiscal Year 2009	0	(2,982,912)	0
Allowable Carry Forward at June 30, 2008	(464,746)	(3,607,966)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$401,421)</u>	<u>(\$6,590,878)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$0</u>	<u>\$0</u>	<u>\$85,496</u>

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 which may not be carried forward to future years. The District also had current 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, 2009.

B. Litigation

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

NOTE 20 – SUBSEQUENT EVENTS

Investments: On August 17, 2009, the \$1,496,850 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 \$1,633,000 at 99.95% for \$1,632,183, which has a maturity date of December 21, 2009, and carries a credit rating of Aaa.

2005 Qualified Zone Academy Bonds: The School District made the required annual debt service sinking escrow payment and deposited in the Debt Service Escrow account in the amount of \$120,810 on August 3, 2009.

Assets. The School District Board of Education approved the demolition of Buena Visa and Wells Elementary schools pursuant to the School Facilities plan, on June 17, 2009. The demolition was completed in August, 2009.

On October 21, 2009 the Board of Education approved a contract with Featheringham Reality to sell the Buena Visa and Roosevelt elementary school property. As of the date of the financial statements, the property has not yet been sold.

Steubenville City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Federal Stimulus: On July 15, 2009, the School District accepted the following American Recovery and Reinvestment Act (ARRA) federal stimulus funding for fiscal year 2010.

Fund Code	Title	Amount
516-932N	Title IV-B ARRA	712,645.60
572-932N	Title I ARRA	901,838.40
572-953K	Title I-D	16,728.70
587-932N	Early Childhood, Spec. Ed	21,478.55

On August 19, 2009 the School District also accepted the National School Lunch Program Cafeteria Equipment Grant in the amount of \$6,648.00 for fiscal year 2010.

Donation: On August 19, 2009, the School District accepted the fourth installment of a pledge from the Charles M. Pugliese and Thelma M. Pugliese charitable foundation, in the amount of \$170,000. The payment was received as required per the approved Qualified Zone Academy Bond issuance.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2009**

Federal Grantor/Pass Through Grantor Program Title	Pass-Through Entity No.	Federal CFDA No.	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster				
Non Cash Assistance: National School Lunch Program			\$52,302	\$52,302
Cash Assistance: National School Lunch Program	04-PU-09	10.555	489,750	489,750
National School Breakfast Program	05-PU-09	10.553	<u>184,253</u>	<u>184,253</u>
Cash Assistance Subtotal			674,003	674,003
Total U.S. Department of Agriculture - Nutrition Cluster (Cash and Non-Cash)			726,305	726,305
U.S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Impact Aid		84.041	9,333	
Title I - Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2009	84.010	917,488	917,488
Title I D Delinquent Total Title I - Grants to Local Education Agencies	C1-SD-2009		<u>59,657</u> 977,145	<u>59,657</u> 977,145
Special Education Cluster:				
Special Education Grants to States (IDEA Part B) Parent Mentor	6B-SF-2009 2833-6535E-09	84.027	578,903 <u>25,000</u>	578,903 <u>25,000</u>
Total Special Education Grants to States (IDEA Part B)			603,903	603,903
Special Education - Preschool Grant Child Outcomes	PG-S1-2009 PGD-106	84.173	28,297 <u>3,000</u>	28,297 <u>3,000</u>
Total Special Education Cluster			31,297	31,297
Innovative Education Program Strategies	C2-S1-2009	84.298	2,505	2,505
Title II-A Improving Teacher Quality Program	TR-S1-2009	84.367	237,960	237,960
Safe and Drug Free Schools and Communities - State Grants	DR-S1-2009	84.186	14,599	14,599
Education Technology State Grants Title II-D	TJ-S1-2009	84.318	8,593	8,593
Javits Gifted Grant	667OE-ID-09	84.206	<u>3,000</u>	<u>3,000</u>
Total Department of Education			<u>1,888,335</u>	<u>1,879,002</u>
Total Federal Awards			<u>\$2,614,640</u>	<u>\$2,605,307</u>

See the notes to the Federal Awards Expenditures schedule.

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2009**

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

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

C. FOOD DISTRIBUTION

Non monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009, the District had no significant food commodities in inventory.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Steubenville City School District, Jefferson County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

January 8, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Steubenville City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Steubenville City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

January 8, 2010

**STEUBENVILLE CITY SCHOOL DISTRICT
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster 84.027 and 84.173 Improving Teacher Quality 84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Wellsville Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 3, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

January 8, 2010



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
FEBRUARY 18, 2010