



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

April 12, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

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DAVE YOST
Auditor of State

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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Struthers City School District
Mahoning County
99 Euclid Ave.
Struthers, Ohio 44471

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 Struthers City School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Struthers Local School District, Mahoning County, Ohio, as of June 30, 2008, and the respective 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 October 30, 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.

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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

October 30, 2010

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

This discussion and analysis of Struthers City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the 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 fiscal year 2008 are as follows:

- In total, net assets increased by \$2,321,364, which represents a 10.1 percent increase from fiscal year 2007.
- Revenues for governmental activities totaled \$20,156,157 in fiscal year 2008. Of this total, 79.6 percent consisted of general revenues while program revenues accounted for the balance of 20.4 percent.
- Program expenses totaled \$17,834,793. Instructional expenses made up 67.9 percent of this total while support services accounted for 23.8 percent. Other expenses rounded out the remaining 8.3 percent.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$16,479,449 in revenues and \$13,938,184 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$2,607,530 from a negative \$264,008 to a positive \$2,343,522.
- The District's other major governmental fund is the bond retirement fund. The bond retirement fund had \$595,969 in revenues and \$635,058 in expenditures. During fiscal year 2008, the bond retirement fund balance decreased \$39,089 from \$1,620,809 to \$1,581,720.

Using this Annual Financial Report

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

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

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
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Unaudited*

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2008?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual 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 cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service 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 multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

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

Proprietary Funds The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund, accounts for the self-insurance of dental and vision benefits.

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Fiduciary Funds The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

	2008	2007	Change
Assets			
Current and Other Assets	\$12,667,973	\$10,902,637	\$1,765,336
Capital Assets, Net of Depreciation	26,075,934	26,774,756	(698,822)
<i>Total Assets</i>	<u>38,743,907</u>	<u>37,677,393</u>	<u>1,066,514</u>
Liabilities			
Current Liabilities	7,358,324	7,979,279	(620,955)
Long-Term Liabilities			
Due within One Year	624,326	581,358	42,968
Due in More than One Year	5,431,242	6,108,105	(676,863)
<i>Total Liabilities</i>	<u>13,413,892</u>	<u>14,668,742</u>	<u>(1,254,850)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	21,338,004	21,693,095	(355,091)
Restricted	2,123,031	2,285,567	(162,536)
Unrestricted (Deficit)	1,868,980	(970,011)	2,838,991
<i>Total Net Assets</i>	<u>\$25,330,015</u>	<u>\$23,008,651</u>	<u>\$2,321,364</u>

Total assets increased by \$1,066,514. The majority of this increase can be attributed to a \$2,535,810 increase in cash and cash equivalents, due to an overall approach by the School District to cut expenses.

Total liabilities decreased by \$1,254,850. The majority of this decrease was due to a reduction in principal owed on long-term debt and short-term notes payable.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$2,321,364.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$16,035,918 or 79.6 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equaled \$4,120,239 or 20.4 percent of total revenue.

Struthers City School District
Mahoning County, Ohio

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

Table 2
Change in Net Assets
Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,444,610	\$1,369,694	\$74,916
Operating Grants and Contributions	2,662,953	2,590,781	72,172
Capital Grants and Contributions	12,676	13,673	(997)
<i>Total Program Revenues</i>	<u>4,120,239</u>	<u>3,974,148</u>	<u>146,091</u>
General Revenues			
Property Taxes	5,168,484	5,413,656	(245,172)
Intergovernmental	10,732,732	10,350,233	382,499
Investment Earnings	70,849	75,610	(4,761)
Miscellaneous	63,553	232,700	(169,147)
Gain on Sale of Capital Assets	300	0	300
<i>Total General Revenues</i>	<u>16,035,918</u>	<u>16,072,199</u>	<u>(36,281)</u>
<i>Total Revenues</i>	<u>20,156,157</u>	<u>20,046,347</u>	<u>109,810</u>
Program Expenses			
Current:			
Instruction	12,117,807	11,984,321	133,486
Support Services:			
Pupils	368,500	669,458	(300,958)
Instructional Staff	105,713	222,907	(117,194)
Board of Education	82,419	88,922	(6,503)
Administration	1,087,107	1,115,347	(28,240)
Fiscal	366,891	433,179	(66,288)
Business	47,898	50,140	(2,242)
Operation and Maintenance of Plant	1,679,212	1,750,804	(71,592)
Pupil Transportation	462,802	328,846	133,956
Central	43,237	18,190	25,047
Operation of Non-Instructional Services	159,838	133,232	26,606
Operation of Food Services	626,935	651,770	(24,835)
Extracurricular Activities	408,654	427,307	(18,653)
Interest and Fiscal Charges	277,780	294,099	(16,319)
<i>Total Program Expenses</i>	<u>17,834,793</u>	<u>18,168,522</u>	<u>(333,729)</u>
<i>Change in Net Assets</i>	2,321,364	1,877,825	443,539
Net Assets Beginning of Year	23,008,651	21,130,826	1,877,825
<i>Net Assets End of Year</i>	<u>\$25,330,015</u>	<u>\$23,008,651</u>	<u>\$2,321,364</u>

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
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Governmental Activities

Net assets of the District's governmental activities increased \$2,321,364. Total governmental expenses of \$17,834,793 were offset by program revenues of \$4,120,239 and general revenues of \$16,035,918. Program revenues supported 23.1 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 78.9 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$12,117,807 or 67.9 percent of total governmental expenses for fiscal year 2008.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,576,045	\$7,409,773	\$8,893,583	\$7,674,727
Special	2,234,473	1,251,574	1,560,576	611,148
Vocational	487,540	450,168	505,877	472,334
Other	819,749	488,758	1,024,285	882,771
Support Services:				
Pupils	368,500	281,855	669,458	574,215
Instructional Staff	105,713	77,853	222,907	196,485
Board of Education	82,419	71,111	88,922	64,757
Administration	1,087,107	950,121	1,115,347	954,456
Fiscal	366,891	329,011	433,179	402,627
Business	47,898	44,254	50,140	46,798
Operation and Maintenance of Plant	1,679,212	1,568,485	1,750,804	1,649,508
Pupil Transportation	462,802	414,451	328,846	293,968
Central	43,237	33,452	18,190	10,368
Operation of Non-Instructional Services	159,838	38,671	133,232	6,740
Food Service Operation	626,935	(136,275)	651,770	(86,756)
Extracurricular Activities	408,654	163,512	427,307	146,129
Interest and Fiscal Charges	277,780	277,780	294,099	294,099
Total Expenditures	\$17,834,793	\$13,714,554	\$18,168,522	\$14,194,374

The dependence upon property taxes and other general revenues for governmental activities is apparent. 100 percent of instruction activities are supported through property taxes and other general revenues. For all governmental activities, general revenue support is 89.2 percent. The District's taxpayers, as a whole, are by far the primary support for the District's students.

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The School District's Funds

Information regarding the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,284,362 to offset expenditures of \$17,834,611. The net change in fund balance for the year was most significant in the general fund, which increased \$2,607,530. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 65 percent and 26 percent respectively, of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Struthers City School District.

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 fund to be budgeted is the main operating fund of the School, the general fund.

During the course of fiscal year 2008, the School District did not amend its general fund budget. For the general fund, original and final budgeted revenues were \$17,142,158. Actual revenues for fiscal year 2008 were \$16,588,483. This represents a \$553,675 decrease from original and final budgeted revenues.

General fund original appropriations of \$15,433,369 were unchanged in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$15,192,612, which was \$240,757 lower than original and final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$26,075,934 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	2008	2007
Land	\$422,600	\$422,600
Construction in Progress	209,270	0
Land Improvements	241,775	259,542
Buildings and Improvements	24,585,511	25,334,407
Furniture and Equipment	405,283	451,640
Vehicles	128,673	187,812
Textbooks	82,822	118,755
<i>Total</i>	<u>\$26,075,934</u>	<u>\$26,774,756</u>

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

All capital assets, except land and construction in progress, are reported net of depreciation. The overall decrease in capital assets of \$698,822 is due to current year depreciation of \$1,182,610 exceeding capital outlays of \$483,788 during the fiscal year. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Debt

Table 5 summarizes the School District's long-term obligations outstanding at fiscal year end.

Table 5
Outstanding Debt at Year End

	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$4,912,620	\$5,237,527
Energy Conservation Notes	<u>188,300</u>	<u>214,700</u>
<i>Total</i>	<u><u>\$5,100,920</u></u>	<u><u>\$5,452,227</u></u>

At June 30, 2008, the District had \$4,912,620 in general obligation bonds and \$188,300 in energy conservation notes outstanding. Of this total, \$422,700 is due within one year and the rest is due in more than one year. For more information about the School District's debt, see Note 15 to the basic financial statements.

Current Financial Issues

Struthers City School District has a weak financial outlook due to its dependence upon grants and State entitlements coupled with an over reliance on taxes for the District coming from local business and industry amounting to over 78 percent. One can see the significant impact of any external market changes would have on the District, and ultimately, the residential taxpayers. The Struthers City School District has not anticipated any meaningful growth in State revenue due to the concern the State may require the redistribution of commercial and industrial property taxes.

As a result of the challenges mentioned above, the Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial forecast future of the School District is not without its challenges though. These challenges are external in nature. These external challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

The District was placed in fiscal emergency on May 11, 2005 by the Auditor of State of Ohio and on May 16, 2005 a Financial Planning and Supervision Commission was established. As an outgrowth of the District's adopted recovery plan, the District embarked upon a series of expenditure reductions in which excess available funds were utilized to accelerate debt service repayments. In addition, the District was able to pass a 5 year 6.9 mill general operating levy in May of 2006, which secured for the District a positive five year cash flow forecast for the general fund and stability for its educational programs. Thanks to the efforts of the School District and the Financial Planning and Supervision Commission, the District was released from its fiscal emergency status on November 27, 2007.

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

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 Dr. Michael Evanson, Treasurer, Struthers City School District, 99 Euclid Avenue, Struthers, Ohio 44471-1831.

Struthers City School District

Mahoning County, Ohio

Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,850,549
Accrued Interest Receivable	215
Intergovernmental Receivable	55,728
Property Taxes Receivable	5,699,762
Inventory Held for Resale	18,052
Materials and Supplies Inventory	3,303
Unamortized Bond Issuance Costs	40,364
Nondepreciable Capital Assets	631,870
Depreciable Capital Assets, Net	25,444,064
<i>Total Assets</i>	<u>38,743,907</u>
Liabilities	
Accounts Payable	9,492
Accrued Wages and Benefits Payable	1,495,641
Intergovernmental Payable	427,630
Matured Compensated Absences Payable	49,957
Early Retirement Incentive Payable	11,000
Deferred Revenue	5,328,702
Accrued Interest Payable	21,823
Claims Payable	14,079
Long-Term Liabilities:	
Due Within One Year	624,326
Due In More Than One Year	5,431,242
<i>Total Liabilities</i>	<u>13,413,892</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	21,338,004
Restricted for:	
Capital Projects	28,633
Debt Service	1,229,537
Other Purposes	839,938
Set-asides	24,923
Unrestricted	1,868,980
<i>Total Net Assets</i>	<u>\$25,330,015</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$8,576,045	\$526,673	\$639,599	\$0	(\$7,409,773)
Special	2,234,473	98,622	884,277	0	(1,251,574)
Vocational	487,540	37,372	0	0	(450,168)
Other	819,749	53,658	277,333	0	(488,758)
Support Services:					
Pupils	368,500	45,630	41,015	0	(281,855)
Instructional Staff	105,713	8,051	19,809	0	(77,853)
Board of Education	82,419	6,367	4,941	0	(71,111)
Administration	1,087,107	76,648	60,338	0	(950,121)
Fiscal	366,891	32,736	5,144	0	(329,011)
Business	47,898	3,644	0	0	(44,254)
Operation and Maintenance of Plant	1,679,212	110,727	0	0	(1,568,485)
Pupil Transportation	462,802	30,500	5,175	12,676	(414,451)
Central	43,237	2,445	7,340	0	(33,452)
Operation of Non-Instructional Services	159,838	1,301	119,866	0	(38,671)
Operation of Food Services	626,935	201,856	561,354	0	136,275
Extracurricular Activities	408,654	208,380	36,762	0	(163,512)
Interest and Fiscal Charges	277,780	0	0	0	(277,780)
<i>Total Governmental Activities</i>	<u>\$17,834,793</u>	<u>\$1,444,610</u>	<u>\$2,662,953</u>	<u>\$12,676</u>	<u>(13,714,554)</u>
General Revenues					
Property Taxes Levied for:					
					4,610,325
					503,164
					54,995
					10,732,732
					70,849
					63,553
					300
					<u>16,035,918</u>
					2,321,364
					23,008,651
					<u>\$25,330,015</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,999,461	\$1,581,720	\$1,218,955	\$6,800,136
Accrued Interest Receivable	215	0	0	215
Interfund Receivable	1,427	0	0	1,427
Intergovernmental Receivable	0	0	55,728	55,728
Property Taxes Receivable	5,136,097	502,888	60,777	5,699,762
Inventory Held for Resale	0	0	18,052	18,052
Materials and Supplies Inventory	0	0	3,303	3,303
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,923	0	0	24,923
<i>Total Assets</i>	<u>\$9,162,123</u>	<u>\$2,084,608</u>	<u>\$1,356,815</u>	<u>\$12,603,546</u>
Liabilities				
Accounts Payable	\$8,334	\$0	\$1,158	\$9,492
Accrued Wages and Benefits Payable	1,282,708	0	212,933	1,495,641
Intergovernmental Payable	336,007	0	91,623	427,630
Matured Compensated Absences Payable	44,455	0	5,502	49,957
Interfund Payable	0	0	1,427	1,427
Deferred Revenue	5,136,097	502,888	113,043	5,752,028
Early Retirement Incentive Payable	11,000	0	0	11,000
<i>Total Liabilities</i>	<u>6,818,601</u>	<u>502,888</u>	<u>425,686</u>	<u>7,747,175</u>
Fund Balances				
Reserved for Encumbrances	1,146,338	5,000	203,131	1,354,469
Reserved for Bus Purchases	24,923	0	0	24,923
Unreserved:				
Undesignated, Reported in:				
General Fund	1,172,261	0	0	1,172,261
Special Revenue Funds	0	0	700,232	700,232
Debt Service Funds	0	1,576,720	0	1,576,720
Capital Projects Funds	0	0	27,766	27,766
<i>Total Fund Balances</i>	<u>2,343,522</u>	<u>1,581,720</u>	<u>931,129</u>	<u>4,856,371</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,162,123</u>	<u>\$2,084,608</u>	<u>\$1,356,815</u>	<u>\$12,603,546</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances	\$4,856,371
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,075,934
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	371,060
Intergovernmental Revenue	<u>52,266</u>
Total	423,326
An internal service fund is used by management to charge the costs of dental and vision insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	11,411
In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	40,364
Unamortized deferred amounts on advanced refunding are not recognized in the funds.	18,586
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(21,823)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(4,555,097)
Accretion on Capital Appreciation Bonds	(357,523)
Energy Conservation Note	(188,300)
Capital Lease Payable	(53,483)
Compensated Absences	(913,751)
Early Retirement Incentive	<u>(6,000)</u>
Total	<u>(6,074,154)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$25,330,015</u></u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$4,736,627	\$513,291	\$56,100	\$5,306,018
Tuition and Fees	1,001,743	0	24,313	1,026,056
Interest	70,349	0	500	70,849
Charges for Services	0	0	201,856	201,856
Extracurricular Activities	13,600	0	194,910	208,510
Rentals	8,188	0	0	8,188
Contributions and Donations	774	0	47,582	48,356
Intergovernmental	10,597,906	82,678	2,670,392	13,350,976
Miscellaneous	50,262	0	13,291	63,553
<i>Total Revenues</i>	<u>16,479,449</u>	<u>595,969</u>	<u>3,208,944</u>	<u>20,284,362</u>
Expenditures				
Current:				
Instruction:				
Regular	6,739,440	0	651,453	7,390,893
Special	1,307,232	0	923,795	2,231,027
Vocational	489,074	0	0	489,074
Other	509,007	0	308,753	817,760
Support Services:				
Pupils	588,390	0	15,027	603,417
Instructional Staff	104,216	0	13,403	117,619
Board of Education	73,606	0	5,043	78,649
Administration	1,020,526	1,228	82,275	1,104,029
Fiscal	412,683	12,543	6,144	431,370
Business	48,080	0	0	48,080
Operation and Maintenance of Plant	1,454,593	0	222,615	1,677,208
Pupil Transportation	400,803	0	6,720	407,523
Central	32,122	0	11,115	43,237
Operation of Non-Instructional Services	17,097	0	131,377	148,474
Operation of Food Services	0	0	637,632	637,632
Extracurricular Activities	190,705	0	246,017	436,722
Capital Outlay	532,490	0	0	532,490
Debt Service:				
Principal Retirement	17,482	406,400	0	423,882
Interest and Fiscal Charges	638	214,887	0	215,525
<i>Total Expenditures</i>	<u>13,938,184</u>	<u>635,058</u>	<u>3,261,369</u>	<u>17,834,611</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,541,265</u>	<u>(39,089)</u>	<u>(52,425)</u>	<u>2,449,751</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	300	0	0	300
Inception of Capital Lease	70,965	0	0	70,965
Transfers In	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Sources (Uses)</i>	<u>66,265</u>	<u>0</u>	<u>5,000</u>	<u>71,265</u>
<i>Net Change in Fund Balances</i>	2,607,530	(39,089)	(47,425)	2,521,016
<i>Fund Balances (Deficit) Beginning of Year</i>	(264,008)	1,620,809	978,554	2,335,355
<i>Fund Balances End of Year</i>	<u>\$2,343,522</u>	<u>\$1,581,720</u>	<u>\$931,129</u>	<u>\$4,856,371</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$2,521,016

***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 depreciation exceeded capital outlay in the current period.

Capital Outlay	483,788
Current Year Depreciation	(1,182,610)

Total (698,822)

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

Property Taxes	(137,534)
Intergovernmental Revenue	9,029

Total (128,505)

Other financing sources in the governmental funds, such as the inception of a capital lease, increases long-term liabilities in the statement of net assets.

(70,965)

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

423,882

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due. The additional interest reported on the statement of activities is due to the following:

Accrued Interest on Bonds	2,024
Accreted Interest on Bonds	(55,093)
Amortization of Gain/Loss on Advance Refunding	(2,896)
Amortization of Bond Issuance Costs	(6,290)

Total (62,255)

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.

Compensated Absences	284,967
Early Retirement Incentive	54,000

Total 338,967

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

(1,954)

Change in Net Assets of Governmental Activities

\$2,321,364

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Property Taxes	\$5,045,801	\$5,045,801	\$4,845,105	(\$200,696)
Tuition and Fees	1,049,441	1,049,441	1,001,743	(47,698)
Interest	72,100	72,100	70,134	(1,966)
Extracurricular Activities	23,000	23,000	13,600	(9,400)
Rentals	28,370	28,370	8,188	(20,182)
Contributions and Donations	8,362	8,362	774	(7,588)
Intergovernmental	10,684,084	10,684,084	10,597,906	(86,178)
Miscellaneous	231,000	231,000	50,733	(180,267)
<i>Total Revenues</i>	<u>17,142,158</u>	<u>17,142,158</u>	<u>16,588,183</u>	<u>(553,975)</u>
Expenditures				
Current:				
Instruction:				
Regular	7,157,772	7,157,772	6,949,456	208,316
Special	799,490	799,490	1,303,083	(503,593)
Vocational	478,645	478,645	506,369	(27,724)
Other	985,844	985,844	517,322	468,522
Support Services:				
Pupils	681,792	681,792	595,943	85,849
Instructional Staff	107,278	107,278	106,754	524
Board of Education	77,010	77,010	73,965	3,045
Administration	1,077,580	1,077,580	1,040,060	37,520
Fiscal	419,264	419,264	442,613	(23,349)
Business	56,773	56,773	48,128	8,645
Operation and Maintenance of Plant	1,621,728	1,621,728	1,539,989	81,739
Pupil Transportation	326,840	326,840	370,220	(43,380)
Central	38,055	38,055	31,741	6,314
Operation of Non-Instructional Services	7,279	7,279	20,281	(13,002)
Extracurricular Activities	298,019	298,019	194,154	103,865
Capital Outlay	1,300,000	1,300,000	1,370,527	(70,527)
Debt Service:				
Principal Retirement	0	0	77,007	(77,007)
<i>Total Expenditures</i>	<u>15,433,369</u>	<u>15,433,369</u>	<u>15,187,612</u>	<u>245,757</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,708,789</u>	<u>1,708,789</u>	<u>1,400,571</u>	<u>(308,218)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	300	300
Transfers Out	0	0	(5,000)	(5,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(4,700)</u>	<u>(4,700)</u>
<i>Net Change in Fund Balance</i>	<u>1,708,789</u>	<u>1,708,789</u>	<u>1,395,871</u>	<u>(312,918)</u>
<i>Fund Balance Beginning of Year</i>	<u>1,229,463</u>	<u>1,229,463</u>	<u>1,229,463</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>245,805</u>	<u>245,805</u>	<u>245,805</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$3,184,057</u>	<u>\$3,184,057</u>	<u>\$2,871,139</u>	<u>(\$312,918)</u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Fund Net Assets

Proprietary Fund

June 30, 2008

	<u>Internal Service</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$25,490
Current Liabilities	
Claims Payable	<u>14,079</u>
Net Assets	
Unrestricted	<u><u>\$11,411</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2008*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	<u>\$110,401</u>
Operating Expenses	
Claims	105,085
Other	7,270
<i>Total Operating Expenses</i>	<u>112,355</u>
<i>Change in Net Assets</i>	(1,954)
<i>Net Assets Beginning of Year</i>	<u>13,365</u>
<i>Net Assets End of Year</i>	<u><u>\$11,411</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

*Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2008*

	<u>Internal Service</u>
<i>Decrease in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Charges for Services	\$110,401
Cash Payments for Claims	(105,112)
Cash Payments for Other Expenses	<u>(7,270)</u>
<i>Net Cash Used for Operating Activities</i>	(1,981)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>27,471</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$25,490</u></u>
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$1,954)
Adjustments:	
Decrease in Claims Payable	<u>(27)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$1,981)</u></u>
See accompanying notes to the basic financial statements	

Struthers City School District
Mahoning County, Ohio

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$173,159</u>
Liabilities	
Undistributed Monies	\$16,637
Due to Students	<u>156,522</u>
<i>Total Liabilities</i>	<u>\$173,159</u>

See accompanying notes to the basic financial statements

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Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

The Struthers City School District (the "School District") operates under a locally elected five member Board and provides educational services as authorized by State and federal agencies. The Board controls the School District's five instructional support facilities staffed by 76 non-certified and 131 certified full-time teaching personnel and 9 administrative employees who provide services to students and other community members.

The School District is located in Struthers, Ohio, Mahoning County, including an area extending roughly five miles around the City. The enrollment for the School District during the 2008 fiscal year was 2,110. The School District operates three elementary schools (K-4), one middle school (5-8), and one high school (9-12).

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Struthers City School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool 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. The Struthers City School District does not have any component units.

The School District participates in three jointly governed organizations and one shared risk pool. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments (ACCES), the Mahoning County Career and Technical Center, the Ohio Schools' Council Association and the Mahoning County Schools Employee Insurance Consortium. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund. The more significant of the School District's accounting policies are described below.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

A. Basis of Presentation

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

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

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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Bond Retirement Fund The bond retirement fund accounts for the retirement of serial bonds and short-term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans, shall be paid into this fund.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund.

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 is a self-insurance fund that accounts for dental and vision benefits of the School District's employees.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund 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 internal service fund.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases 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 values, 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 sixty days of fiscal year-end.

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

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, fees and rentals.

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

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

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

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

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given authority to allocate board appropriations to the function and object levels within each fund.

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 and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

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.

F. 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 the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2008, investments were limited to certificates of deposit and STAROhio.

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

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$70,349, which includes \$5,658 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.

G. Inventory

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

H. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of busses. See Note 16 for additional information regarding set asides.

I. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 the 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 capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 99 years
Buildings and Improvements	10 - 99 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years
Textbooks and Library Books	5 - 10 years

J. 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 School District 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 all employees with more than one year of service.

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

K. Accrued Liabilities and Long-term Obligations

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

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

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for 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 and school bus purchases.

M. 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$2,123,031, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

N. Operating Revenues and Expenses

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

O. 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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

P. 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.

Note 3 – Changes in Accounting Principle

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 43 establishes uniform financial reporting standards for Other Postemployment Benefit (OPEB) plans and supersedes guidance included in GASB Statement No. 26, “Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans”. The standards in Statement No. 43 apply to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for stand-alone financial reports of OPEB plans or the public employee retirement systems, or third parties that administer them. The implementation of this statement did not result in any change to the financial statements of the District.

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

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

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Auxiliary Services	\$6,688
Poverty Aid	95,580
IDEA part B	23,629
Improving Teacher Quality	4,827

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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

B. Compliance

The School Net Professional Development special revenue fund had a negative cash balance of \$1,427 at June 30, 2008, indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10. Management has indicated that all cash balances will be closely monitored to ensure no future violations.

Note 5 - Budgetary Basis of Accounting

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$2,607,530
Net Adjustment for Revenue Accruals	37,769
Net Adjustment for Expenditure Accruals	(94,756)
Adjustment for Encumbrances	<u>(1,154,672)</u>
Budget Basis	<u><u>\$1,395,871</u></u>

Note 6 - Deposits and Investments

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

A. Cash on Hand

At fiscal year-end, the School District had \$3,460 in un-deposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$7,015,235. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2008, \$6,595,916 of the District's bank balance of \$7,195,916 was exposed to custodial risk as discussed below, while \$600,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2008, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$5,013	6 Months or Less

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

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 School District's investment in STAROhio represents 100 percent of the School District's total investments.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$7,015,235
Investments	5,013
Cash on hand	3,460
Total	<u>\$7,023,708</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$6,850,549
Agency funds	173,159
Total	<u>\$7,023,708</u>

Note 7 - Property Taxes

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

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

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

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

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

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 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, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the School District at June 30, 2008 and June 30, 2007.

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

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

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$138,366,230	91.54 %	\$139,465,590	94.32 %
Public Utility Personal	7,235,080	4.79	2,772,606	1.88
Tangible Personal Property	5,545,211	3.67	5,626,700	3.80
Total	<u>\$151,146,521</u>	<u>100.00 %</u>	<u>\$147,864,896</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$70.80		 \$70.60	

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent, student fees and tuition), 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 fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<i>Non-major Governmental Funds:</i>	
IDEA Part B Grant	\$51,400
School Net Professional Development	3,462
Improving Teacher Quality Grant	<u>866</u>
Total Intergovernmental Receivable	<u><u>\$55,728</u></u>

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 - Capital Assets

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

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
Governmental Activities:				
Capital assets not being depreciated				
Land	\$422,600	\$0	\$0	\$422,600
Construction in progress	0	209,270	0	209,270
Total capital assets not being depreciated	422,600	209,270	0	631,870
Capital assets being depreciated				
Land improvements	550,314	0	0	550,314
Buildings and improvements	32,539,455	274,518	0	32,813,973
Furniture, fixtures and equipment	773,172	0	0	773,172
Vehicles	856,608	0	(5,195)	851,413
Textbooks and Library Books	496,934	0	0	496,934
Total capital assets being depreciated	35,216,483	274,518	(5,195)	35,485,806
Accumulated depreciation				
Land improvements	(290,772)	(17,767)	0	(308,539)
Buildings and improvements	(7,205,048)	(1,023,414)	0	(8,228,462)
Furniture, fixtures and equipment	(321,532)	(46,357)	0	(367,889)
Vehicles	(668,796)	(59,139)	5,195	(722,740)
Textbooks and Library Books	(378,179)	(35,933)	0	(414,112)
Total accumulated depreciation	(8,864,327)	(1,182,610) *	5,195	(10,041,742)
Capital assets being depreciated, net	26,352,156	(908,092)	0	25,444,064
Governmental activities capital assets, net	\$26,774,756	(\$698,822)	\$0	\$26,075,934

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,063,416
Vocational	1,600
Support Services:	
Instructional Staff	35,036
Board of Education	3,770
Operation and Maintenance of Plant	3,858
Pupil Transportation	55,281
Operation of Non-Instructional Services	9,556
Operation of Food Services	4,401
Extracurricular	5,692
Total Depreciation Expense	\$1,182,610

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10 – Capital Lease

During fiscal year 2008, the School District entered into a lease agreement for a school bus. This lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and has been recorded on the government-wide statements. The furniture, fixtures and equipment have been capitalized in the amount of \$70,965, the present value of the minimum lease payments at the inception of the lease.

The assets acquired through the capital lease are as follows:

<i>Asset:</i>	<u>Governmental Activities</u>
Vehicles - School Bus	\$70,965
Less: Accumulated Depreciation	<u>0</u>
Total Book Value as of June 30, 2008	<u><u>\$70,965</u></u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the general fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance Company property insurance with a \$1,000 deductible. Professional liability is protected by the Indiana Insurance Company with a \$3,000,000 aggregate limit.

Vehicles are covered by the Indiana Insurance Company and hold a \$100 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. CB radios on the School District's busses are covered by Indiana Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

\$10,000 performance bonds are maintained for both the Board president and Superintendent. A \$40,000 performance bond is maintained for the Treasurer. A \$250,000 blanket bond is maintained for all other employees. All performance bonds are maintained by the Hartford Insurance Company, and the blanket bond is maintained by the Indiana Insurance Company.

B. Workers' Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

C. Employee Health Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Struthers City School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$1,023.29 for family coverage and \$426.69 for single coverage per employee per month.

The School District has elected to provide vision and dental benefits through a self-insurance program. The School District maintains an insurance reserve internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, Professional Risk Management, located in Youngstown, Ohio, reviews all claims which are then paid by the School District. The School District pays into the insurance reserve internal service fund \$53.22 for family vision and dental coverage and \$48.20 for single vision and dental coverage per employee per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$14,079 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of the Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the claims liability amount during the last two fiscal years were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$39,862	78,727	104,483	\$14,106
2008	14,106	105,085	105,112	14,079

Note 12 - Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$153,344, \$171,369 and \$184,091; 55.1 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,018,881, \$972,920 and \$1,026,288; 82.9 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$10,475 made by the School District and \$14,808 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* were available after December 26, 2007.

Additional information or copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C - Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 13 – Postemployment Benefits

A - School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.84 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established as \$35,800. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$93,255.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay as you go basis. Net health care costs for the year ending June 30, 2007 (the latest information available), were \$158,651,207. The number of participants eligible to receive benefits was 59,492. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2007 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

B - State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$78,375 for fiscal year 2008.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000. There were 122,934 eligible benefit recipients.

Note 14 - 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 and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 260 days for classified employees and 240 days for certified employees. Upon retirement, classified employees, bus drivers and teachers receive payments for twenty five percent of the total sick leave accumulation up to a maximum of 60 days. Administrators receive payment for twenty five percent of the total sick leave accumulation up to 65 days.

B. Life Insurance

The School District provides life insurance to all regular employees. Coverage is equal to the annual salary for administrators, the annual salary for certified employees with a minimum of \$29,000 and a maximum of \$50,000, \$40,000 for non-union classified employees, and \$25,000 for classified employees. Life insurance coverage is provided through Mutual of Omaha.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 15 - Long-term Obligations

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

Governmental-Type Activities	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts due in One Year
General Obligation Bonds					
1992 School Improvement Refunding Bonds:					
Current Interest Term Bonds	\$1,690,000	\$0	\$190,000	\$1,500,000	\$195,000
Unamortized Loss	(21,482)	0	(2,896)	(18,586)	0
<i>Total 1992 School Improvement Refunding Bonds</i>	<u>1,668,518</u>	<u>0</u>	<u>187,104</u>	<u>1,481,414</u>	<u>195,000</u>
2000 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	820,000	0	190,000	630,000	200,000
Current Interest Term Bonds	1,950,000	0	0	1,950,000	0
Capital Appreciation Bonds	475,097	0	0	475,097	0
Accretion on Capital Appreciation Bonds	302,430	55,093	0	357,523	0
<i>Total 2000 Ohio School Facilities Bonds</i>	<u>3,547,527</u>	<u>55,093</u>	<u>190,000</u>	<u>3,412,620</u>	<u>200,000</u>
Total General Obligation Bonds	<u>5,216,045</u>	<u>55,093</u>	<u>377,104</u>	<u>4,894,034</u>	<u>395,000</u>
Other Long-Term Obligations:					
1998 Energy Conservation Note	214,700	0	26,400	188,300	27,700
Capital Lease Payable	0	70,965	17,482	53,483	53,483
Compensated Absences	1,228,718	259,540	574,507	913,751	148,143
Early Retirement Incentive	30,000	6,000	30,000	6,000	0
Total Other Long-Term Obligations	<u>1,473,418</u>	<u>336,505</u>	<u>648,389</u>	<u>1,161,534</u>	<u>229,326</u>
Total Long-Term Obligations	<u>\$6,689,463</u>	<u>\$391,598</u>	<u>\$1,025,493</u>	<u>\$6,055,568</u>	<u>\$624,326</u>

On October 15, 2002, the School District issued \$1,750,000 in general obligation bonds at interest rates ranging from 1.50 percent to 3.90 percent. Bond proceeds were used to refund \$1,750,000 of the 1992 school improvement bonds.

Proceeds of \$1,785,000 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the 1992 school improvement bonds. As a result, \$1,750,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,000. This difference, being reported as a deferral in the accompanying financial statements, is being charged to operations through fiscal year 2015 using the straight-line method. The School District decreased its total debt service payments by \$475,713 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$376,869.

On December 1, 2000, the School District issued \$4,195,097 in voted general obligation bonds for the purpose of renovation and construction of the new and existing school buildings. The bonds were issued for a fifteen year period. The bond issue included \$1,770,000 in serial bonds and \$1,950,000 in term bonds.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 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>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>
2016	\$235,000
2017	250,000
2018	265,000
2019	275,000
2020	290,000
2021	310,000
<i>Total</i>	<u><u>\$1,625,000</u></u>

The remaining principal amount of the term bonds will mature as stated maturity on December 1, 2022.

The term bonds maturing after December 1, 2011 are subject to redemption at the option of the School District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2011, at redemption prices equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	101%
December 1, 2001 and thereafter	100%

The 2000 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$55,093 represents the accretion of discounted interest. The final maturity of these bonds is \$1,930,000.

The school improvement bonds will be paid from the bond retirement debt service fund. Compensated absences will be paid from the general fund and the food service, auxiliary services, poverty aid, IDEA Part B, Title I and classroom reduction special revenue funds. The early retirement incentive payable will be paid from the general fund.

The School District's overall legal debt margin was \$10,334,464 with an unvoted debt margin of \$1,142,484 at June 30, 2008. Principal requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

Struthers City School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$395,000	\$188,349	\$583,349	\$0	\$0	\$0
2010	410,000	171,538	581,538	0	0	0
2011	425,000	153,357	578,357	0	0	0
2012	215,000	32,528	247,528	105,623	129,377	235,000
2013	220,000	23,935	243,935	97,652	137,348	235,000
2014 - 2018	950,000	208,108	1,158,108	271,822	433,178	705,000
2019 - 2023	1,465,000	205,964	1,670,964	0	0	0
Total	\$4,080,000	\$983,779	\$5,063,779	\$475,097	\$699,903	\$1,175,000

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2009	\$27,700	\$9,359	\$37,059
2010	29,100	7,982	37,082
2011	30,500	6,536	37,036
2012	32,000	5,020	37,020
2013	33,600	3,429	37,029
2014	35,400	1,759	37,159
Total	\$188,300	\$34,085	\$222,385

Note 16 - Set-Asides

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

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Capital	
	Textbooks	Improvements
Set-Aside Reserve Balance as of June 30, 2007	(\$486,805)	(\$4,675,942)
Current Year Set-Aside Requirement	318,384	318,384
Qualifying Disbursements	(276,369)	(825,671)
Current year offsets	0	(121,820)
Total	(\$444,790)	(\$5,305,049)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$444,790)	(\$5,305,049)
Cash balance as of June 30, 2008	\$0	\$0

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbooks and capital acquisition set-asides. These amounts may be used to reduce the set-aside requirement for future years and therefore are presented as being carried forward to future years.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The total reserve balance for all set-asides at the end of the fiscal year was \$24,923.

Note 17 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System Council of Governments (COG) is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge. Struthers City School District paid \$29,083 to COG during fiscal year 2008.

COG is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of COG including budgeting, appropriating, contracting and designating management. All of COG revenues are generated from charges for services and State funding.

Financial information can be obtained by contacting the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Suite 115, Youngstown, Ohio 44512-7019.

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2008, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

C. Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the Struthers City School District paid \$132,288 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 18 - Shared Risk Pool

Mahoning County Schools Employee Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. To obtain the financial information write to Mahoning County Insurance Consortium, 100 Debartolo Place, Suite 115, Youngstown, Ohio 44512-7019.

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 agreement 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, 2008.

Note 20 – Contractual Commitments

At June 30, 2008, the District had the following contractual commitments outstanding:

<u>Contractor</u>	<u>Amount</u>
Kreidler Construction	\$417,440
Antenucci, Inc.	168,721
Sturdisteel Bleachers	161,833
Jim Santini Builders, Inc.	82,860
Joe Dickey Electric	<u>25,309</u>
	<u><u>\$856,163</u></u>

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 21 – New Accounting Standards

In August of 2004, the GASB issued Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”, which addresses how state and local governments should account for and report their costs and obligations related to postemployment health care and other non-pension benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November 2006, the GASB issued Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations.” This Statement is to establish accounting and financial reporting standards for pollution remediation obligations. Statement No. 49 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In June of 2007, the GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets.” This Statement requires that all intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, be classified as capital assets. Statement No. 51 will not be effective for the District until fiscal year 2010 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In March of 2007, the GASB issued Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments.” This Statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. This Statement applies to all state and local governments. Statement No. 52 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November of 2007, the GASB issued Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.” This Statement establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments as defined in this Statement. Statement No. 53 will not be effective for the District until fiscal year 2011 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Food Distribution		10.550	-	\$58,402	-	\$58,402
Nutrition Cluster:						
National School Breakfast Program		10.553	\$89,698		\$89,698	
National School Lunch Program		10.555	<u>482,162</u>	-	<u>482,162</u>	-
Total Department of Agriculture			<u>571,860</u>	<u>58,402</u>	<u>571,860</u>	<u>58,402</u>
UNITED STATES DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education: Special Education Cluster						
Title I Grants to Local Educational Agencies	C1-S1-08	84.010	449,138	-	352,441	-
			<u>449,138</u>	-	<u>352,441</u>	-
Special Education Grants to States - IDEA	6B-PB-05	84.027			625	
Special Education Grants to States - IDEA	6B-PB-06	84.027			(4,750)	
Special Education Grants to States - IDEA	6B-SF-06	84.027			2,669	
Special Education Grants to States - IDEA	6B-SF-07	84.027	15,228	-	185,296	-
Special Education Grants to States - IDEA	6B-SF-08	84.027	<u>478,253</u>	-	<u>461,032</u>	-
Total - Special Education Grants to States			493,481	-	644,872	-
Safe and Drug Free Schools and Communities	DR-S1-07	84.186		-	5,000	-
Safe and Drug Free Schools and Communities	DR-S1-08	84.186	<u>10,022</u>	-	<u>3,021</u>	-
			10,022	0	8,021	0
State Grants for Innovative Programs	C2-S1-07	84.298		-	3,460	-
State Grants for Innovative Programs	C2-S1-08	84.298	<u>3,307</u>	-	<u>273</u>	-
			3,307	0	3,733	0
Education Technology State Grants	TJ-S1-07	84.318			4,347	
	TJ-S1-08	84.318	<u>4,579</u>		<u>4,579</u>	
Total - Education Technology State Grants			4,579		8,926	
Improving Teacher Quality State Grants	TR-S1-08	84.367	<u>134,446</u>	-	<u>121,990</u>	-
Total Department of Education			<u>1,094,973</u>	<u>0</u>	<u>1,139,983</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Pass Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	Ohio Dept of MR/DD	93.778	<u>1,974</u>			
Totals			<u>\$1,668,807</u>	<u>\$58,402</u>	<u>\$1,711,843</u>	<u>\$58,402</u>

The accompanying notes to this schedule are an integral part of this schedule.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 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.

NOTE 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.

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

Struthers City School District
Mahoning County
99 Euclid Ave.
Struthers, Ohio 44471

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 Struthers City School District, Mahoning County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2008-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2008-001.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated October 30, 2010.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the 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

October 30, 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

Struthers City School District
Mahoning County
99 Euclid Ave.
Struthers, Ohio 44471

To the Board of Education:

Compliance

We have audited the compliance of Struthers City School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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 Struthers City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as items 2008-002 and 2008-003.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

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

We also noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated October 30, 2010.

We intend this report solely for the information and use of management, the 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

October 30, 2010

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B – CFDA 84.027 Title I – CFDA 84.010
<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?	No

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

FINDING 2008-001

Noncompliance/Significant Deficiency

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. Numerous District funds showed expenditures from each fund into an 022 Agency Fund for centralized payroll related costs such as employers' share of STRS, SERS, Medicare and Workers Compensation, as well as a grant clearing account for handicap services. While the expenditures for these purposes were lawful from all involved funds, the amounts charged to the individual funds did not reconcile with the amounts remitted from the 022 fund to the respective agencies. This amounted to expenditures from each fund that could not be tied to specific obligations. Additionally, this created a total balance in the 022 fund of \$346,504 for which the District could not demonstrate valid obligations existed to offset the amount of all the fund changes.

**FINDING 2008-001
 (Continued)**

Based on the percentage charged each fund, the following schedule reflects the cumulative effect of each fund's proportionate share of the unsupported balance as a finding for adjustment.

General	Auxiliary Services	PBA	Title VI-B	Title I	Title II-A	Lunchroom	Drug-Free School	Total
111,054	1,159	12,207	12,477	7,515	2,425	4,665	456	151,958

To comply with the aforementioned Revised Code Section, the District should adjust the amounts listed immediately above.

Additionally, Uniform School Accounting System defines the 022 District Agency Fund purpose as a fund used to account for those assets held by a school district as an agent for individuals, private organization, other governmental units, and/or other funds. Agency funds could include a central payroll account. In an agency fund, assets equal liabilities, and the fund balance is zero.

Also, forthcoming change to USAS will conform the *agency fund* definition above with GASB Codification 1300.114, which limits agency fund use to "the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments." (That is, the revision will omit the use of agency funds as a clearing account.)

GASB Codification 2200.179 explains that "Sometimes an agency fund is used as a clearing account to distribute financial resources to other funds of the government, *as well as other entities*. For example, county property tax collectors customarily collect and distribute property taxes to the county's funds as well as to other governments within the county. When this occurs, the portion of the clearing account balance that pertains to other funds of the county should not be reported in agency funds. Rather, it should be reported as assets in the appropriate funds."

Because the District does not collect money on behalf of other governments, we recommend the District discontinue using a clearing account fund, and should record receipts and disbursements directly in the funds which should account for them.

Officials' Response:

Per the recommendation of the Auditor of State's Office, the district shall discontinue using fund (022-9999) Grant Clearance Agency immediately as a clearing account fund and record receipts and disbursements directly in the funds which should account for them. The District prepared a purchase order for and made the aforementioned adjustment. Upon the change in USAS for agency funds, the district will discontinue the use of all (022) agency funds.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Reporting

Finding Number	2008-002
CFDA Title and Number	Title I Grants to Local Educational Agencies- CFDA # 84.010 Title VI-B Special Education Grants to States-IDEA- CFDA # 84.027
Federal Award Number / Year	2008
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance

Consolidated Application Assurances Item 6 provides that the SUBGRANTEE will make reports to the Ohio Department of Education (“ODE”) and to the Department of Education (“DEPARTMENT”) as may reasonably be necessary to enable ODE and the DEPARTMENT to perform their duties. The reports shall be completed and submitted in accordance with the standards and procedures designated by ODE and/or the DEPARTMENT and shall be supported by appropriate documentation.

During our testing of Title VI-B (fund 516) and Title I (fund 572) we noted amounts in the Project Cash Requests (PCRs) for “Total Cash Basis Expenditures” and “Cash Balance On Hand” submitted during the audit period could not be substantiated by the District’s financial records for the related funds.

We recommend the District retain appropriate documentation to support all amounts reflected on the PCR’s and amounts be substantiated by the District’s financial records.

Officials’ Response:

The district has corrected the above situation for the audit period 2009 and forward.

2. Allowable Cost

Finding Number	2008-003
CFDA Title and Number	Title VI-B Special Education Grants to States-IDEA- CFDA # 84.027
Federal Award Number / Year	2008
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

**FINDING 2008-003
(Continued)**

Noncompliance Finding/Questioned Cost

2 CFR Part 225, Appendix A: C.1.j requires governments to adequately document costs allowable and unallowable under the A-133 Single Audit Act.

During our testing of Title VI-B (Fund 516) expenditures we noted three individually significant expenditures made from Title VI-B monies totaling \$197,182, titled "corrections" by the District. While the District was able to present acceptable supporting documentation for \$57,234 of the expenditures, they were not able to provide support for \$139,947 to determine whether these expenditures were allowable under A-133.

This has lead to \$139,947 in federal questioned costs relating to Title VI-B expenditures which could not be substantiated with supporting documentation.

We recommend the District retain appropriate documentation to support all federal expenditures.

Officials' Response:

The Treasurer believes that of the \$139,947, \$89,948 was a correcting amount for the proration of special education teacher cost for inclusion services comprised of three entries: (1) \$26,815.06 was charged to Title VI-B FY2008 to reimburse the PBA Grant for inclusion services. An analysis of the kindergarten students taught by PBA funded certified teaches in an all day program mandated by the State of Ohio due to the district's high level of poverty were identified (4%) of this student population as special education students provided wrap around services. (2) \$20,858.46 was charged to Title VI-B FY2008 to reimburse Title I Grant for inclusion services. An analysis of the School wide Title I eligible student population taught by Title I certified teachers in the k-4 Struthers Elementary School (5%) are identified as special education students resulting in crediting the Title I Grant this amount. The district's EMIS reports for FY2008 collaborate that at the SES 12% of the overall student population is identified as handicapped special education students. (3) \$42,274 was charged to Title VI-B FY2008 to reimburse Title I Grant for inclusion services. An analysis of the School wide Title I eligible student population taught by Title I certified teachers in the 5-8 Struthers Middle School (11%) are identified as special to Title VI-B FY2008 to reimburse Title I Grant for inclusion services. The district's EMIS reports for FY2008 collaborate that at the SMS 13% of the overall student population is identified as handicapped special education students.

The Treasurer also believes that of the \$139,947, \$48,782 was a correcting entry for the distribution of Title VI-B Medicare and Worker Compensation expense due to the District for the grant's share of expense. The grant's medicare obligation was \$31,812 with only \$3,600 expense deducted monthly (12 mths x \$300) resulting in \$28,212 balance due the district. The grant's worker compensation obligation was \$21,720 with only \$1,200 expense deducted monthly (12 mths x \$100) resulting in a \$20,520 balance due the district. The district expensed through this transaction a cost of \$50,000 to the Title VI-B FY2008 Grant while actually only due a sum of \$48,732 (\$28,212 + \$20,520) resulting in an overcharge of \$1268. This overage is identified as part of the amount due Title VI-B in Finding 2008-001. Hence, this documentation must be satisfactory since it is used for part of the finding amount indentified in said finding.

**FINDING 2008-003
(Continued)**

Auditor of State's Conclusion:

We have reviewed the documentation presented by the Treasurer to support the \$89,948 and we do not believe said documents resolve the matters of the above listed federal questioned costs.

We have reviewed the documentation presented by the Treasurer to support the \$48,782 and we do not believe said documents resolve the matters of the above listed federal questioned costs.

As such, the federal questioned costs will be referred to the Ohio Department of Education.

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Dave Yost • Auditor of State

STRUTHERS CITY SCHOOL DISTRICT

MAHONING 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
APRIL 12, 2011**