



Dave Yost • Auditor of State

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Struthers City School District
Mahoning County
99 Euclid Avenue
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, 2011, 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 City School District, Mahoning County, Ohio, as of June 30, 2011, 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 September 25, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 25, 2012

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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 2011 are as follows:

- In total, net assets increased by \$511,683, which represents a 1.9 percent increase from fiscal year 2010.
- Revenues for governmental activities totaled \$21,948,769 in fiscal year 2011. Of this total, 75.9 percent consisted of general revenues while program revenues accounted for the balance of 24.1 percent.
- Program expenses totaled \$21,437,086. Instructional expenses made up 67.3 percent of this total while support services accounted for 23.9 percent. Other expenses rounded out the remaining 8.8 percent.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$17,250,014 in revenues and \$15,983,900 in expenditures, excluding other financing sources and uses. During fiscal year 2011, the general fund's fund balance increased \$1,214,254, or 27.7 percent.
- The District's other major governmental fund is the bond retirement fund. The bond retirement fund had \$566,941 in revenues and \$694,893 in expenditures, excluding other financing sources and uses. During fiscal year 2011, the bond retirement fund balance decreased \$65,596, or 4.5 percent.

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
For the Fiscal Year Ended June 30, 2011
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 2011?" 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 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund 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, 2011
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 2011 compared to 2010:

Table 1
Net Assets
Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$15,980,702	\$14,816,872	\$1,163,830
Capital Assets, Net of Depreciation	22,845,983	23,709,102	(863,119)
<i>Total Assets</i>	<u>38,826,685</u>	<u>38,525,974</u>	<u>300,711</u>
Liabilities			
Current Liabilities	7,176,517	6,923,830	252,687
Long-Term Liabilities			
Due within One Year	744,308	598,851	145,457
Due in More than One Year	4,569,595	5,178,711	(609,116)
<i>Total Liabilities</i>	<u>12,490,420</u>	<u>12,701,392</u>	<u>(210,972)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	19,451,276	19,868,082	(416,806)
Restricted	1,695,125	2,384,472	(689,347)
Unrestricted	5,189,864	3,572,028	1,617,836
<i>Total Net Assets</i>	<u>\$26,336,265</u>	<u>\$25,824,582</u>	<u>\$511,683</u>

Total assets increased by \$300,711. The majority of this increase can be attributed to an increase in cash and cash equivalents, due to an overall approach by the School District to cut expenses.

Total liabilities decreased by \$210,972. 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 \$511,683.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$16,662,246 or 75.9 percent of the total revenue. The most significant portion of general revenue is grants and entitlements. The remaining amount of revenue received was in the form of program revenues, which equaled \$5,286,523 or 24.1 percent of total revenue.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for fiscal year 2011 as compared to fiscal year 2010.

Table 2
Change in Net Assets
Governmental Activities

	2011	2010	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,785,457	\$1,690,638	\$94,819
Operating Grants and Contributions	3,486,561	4,351,375	(864,814)
Capital Grants and Contributions	14,505	0	14,505
<i>Total Program Revenues</i>	<u>5,286,523</u>	<u>6,042,013</u>	<u>(755,490)</u>
General Revenues			
Property Taxes	4,815,477	4,811,786	3,691
Intergovernmental	11,770,172	11,696,656	73,516
Investment Earnings	15,400	18,689	(3,289)
Miscellaneous	46,692	36,523	10,169
Gain on Sale of Capital Assets	14,505	0	14,505
<i>Total General Revenues</i>	<u>16,662,246</u>	<u>16,563,654</u>	<u>98,592</u>
<i>Total Revenues</i>	<u>21,948,769</u>	<u>22,605,667</u>	<u>(656,898)</u>
Program Expenses			
Current:			
Instruction	14,427,447	13,298,451	1,128,996
Support Services:			
Pupils	585,010	492,710	92,300
Instructional Staff	263,417	233,801	29,616
Board of Education	56,067	54,251	1,816
Administration	1,176,103	1,044,826	131,277
Fiscal	526,091	445,488	80,603
Business	59,499	50,406	9,093
Operation and Maintenance of Plant	1,894,490	2,709,013	(814,523)
Pupil Transportation	505,822	503,725	2,097
Central	53,586	39,054	14,532
Operation of Non-Instructional Services	136,028	159,676	(23,648)
Operation of Food Services	837,131	756,548	80,583
Extracurricular Activities	685,527	563,290	122,237
Interest and Fiscal Charges	230,868	246,490	(15,622)
<i>Total Program Expenses</i>	<u>21,437,086</u>	<u>20,597,729</u>	<u>839,357</u>
<i>Change in Net Assets</i>	511,683	2,007,938	(1,496,255)
Net Assets Beginning of Year	<u>25,824,582</u>	<u>23,816,644</u>	<u>2,007,938</u>
<i>Net Assets End of Year</i>	<u>\$26,336,265</u>	<u>\$25,824,582</u>	<u>\$511,683</u>

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

Net assets of the District's governmental activities increased \$511,683. Total governmental expenses of \$21,437,086 were offset by program revenues of \$5,286,523 and general revenues of \$16,662,246. Program revenues supported 24.7 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 75.6 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$14,427,447 or 67.3 percent of total governmental expenses for fiscal year 2011.

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

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$9,175,482	\$7,964,965	\$8,814,013	\$7,173,227
Special	3,498,906	1,891,915	3,042,458	1,609,600
Vocational	536,522	419,419	448,224	366,205
Other	1,216,537	898,526	993,756	465,514
Support Services:				
Pupils	585,010	534,339	492,710	413,659
Instructional Staff	263,417	114,667	233,801	126,345
Board of Education	56,067	50,256	54,251	49,571
Administration	1,176,103	980,614	1,044,826	875,761
Fiscal	526,091	475,384	445,488	405,027
Business	59,499	54,265	50,406	45,967
Operation and Maintenance of Plant	1,894,490	1,666,433	2,709,013	2,250,869
Pupil Transportation	505,822	403,772	503,725	386,126
Central	53,586	36,235	39,054	29,356
Operation of Non-Instructional Services	136,028	63,105	159,676	(45,884)
Food Service Operation	837,131	(38,399)	756,548	(154,264)
Extracurricular Activities	685,527	404,199	563,290	312,147
Interest and Fiscal Charges	230,868	230,868	246,490	246,490
<i>Total Expenditures</i>	<u>\$21,437,086</u>	<u>\$16,150,563</u>	<u>\$20,597,729</u>	<u>\$14,555,716</u>

The dependence upon property taxes and other general revenues for governmental activities is apparent. For fiscal year 2011, property taxes and other general revenues alone exceeded the total instruction expense. For all governmental activities, general revenue support is 77.7 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, 2011
Unaudited*

The School District's Funds

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,488,861 to offset expenditures of \$21,283,902. The net change in fund balance for the year was most significant in the general fund, which increased \$1,214,254. 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 70 percent and 21 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 2011, the School District did not amend its general fund budget. For the general fund, original and final budgeted revenues were \$15,587,191. Actual revenues for fiscal year 2011 were \$17,160,131. This represents a \$1,572,940 increase from original and final budgeted revenues.

General fund original and final appropriations of \$16,885,670 were not changed during the fiscal year. The actual budget basis expenditures for fiscal year 2011 totaled \$16,718,255, which were \$167,415 less than original and final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$22,845,983 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	2011	2010
Land	\$422,600	\$422,600
Construction in Progress	0	345,431
Land Improvements	1,127,622	1,201,560
Buildings and Improvements	20,348,792	21,037,236
Furniture and Equipment	420,038	507,662
Vehicles	526,931	194,613
<i>Total</i>	<u>\$22,845,983</u>	<u>\$23,709,102</u>

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

All capital assets, except land, are reported net of depreciation. The overall decrease in capital assets of \$863,119 is due to capital outlays of \$403,055 being less than current year depreciation of \$1,266,174 during the fiscal year. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Long-Term Obligations

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

Table 5
Outstanding Long-Term Obligations at Year End

	<u>2011</u>	<u>2010</u>
General Obligation Bonds	\$3,918,379	\$4,212,553
Energy Conservation Notes	101,000	131,500
Compensated Absences	<u>1,294,524</u>	<u>1,433,509</u>
<i>Total</i>	<u><u>\$5,313,903</u></u>	<u><u>\$5,777,562</u></u>

At June 30, 2011, the District had \$3,918,379 in general obligation bonds, \$101,000 in energy conservation notes and \$1,294,524 in compensated absences outstanding. Of this total, \$744,308 is due within one year and the rest is due in more than one year. For more information about the School District's long-term obligations, 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 residents as well as business and industry amounting to 20 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.

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited*

An examination of the district's expenditure per pupil data as published by the Ohio Department of Education reveals the success of the district's ongoing cost reduction program:

<u>Fiscal Year</u>	<u>Expense Per Pupil</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
2011	\$8,921	+\$1,144	+14%
2010	\$7,777	+\$552	+7%
2009	\$7,225	(\$301)	(4%)
2008	\$7,526	(\$88)	(1%)
2007	\$7,614	(\$578)	(7%)
2006	\$8,192	Base	Base

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. In May 2011, the district's voters renewed this operating levy for an additional 5 years.

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 Arthur Ginnett III, 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, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,141,841
Accounts Receivable	784
Intergovernmental Receivable	355,964
Property Taxes Receivable	5,380,976
Inventory Held for Resale	14,688
Materials and Supplies Inventory	3,496
Unamortized Bond Issuance Costs	82,953
Nondepreciable Capital Assets	422,600
Depreciable Capital Assets, Net	22,423,383
<i>Total Assets</i>	<u>38,826,685</u>
Liabilities	
Accounts Payable	20,441
Accrued Wages and Benefits Payable	1,827,303
Intergovernmental Payable	470,138
Matured Compensated Absences Payable	47,964
Accrued Interest Payable	12,748
Deferred Revenue	4,797,923
Long-Term Liabilities:	
Due Within One Year	744,308
Due In More Than One Year	4,569,595
<i>Total Liabilities</i>	<u>12,490,420</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	19,451,276
Restricted for:	
Capital Projects	867
Debt Service	879,643
Other Purposes	791,986
Set-asides	22,629
Unrestricted	5,189,864
<i>Total Net Assets</i>	<u>\$26,336,265</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, 2011

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$9,175,482	\$664,231	\$546,286	\$0	(\$7,964,965)
Special	3,498,906	165,101	1,441,890	0	(1,891,915)
Vocational	536,522	39,144	77,959	0	(419,419)
Other	1,216,537	92,836	225,175	0	(898,526)
Support Services:					
Pupils	585,010	50,671	0	0	(534,339)
Instructional Staff	263,417	10,012	138,738	0	(114,667)
Board of Education	56,067	4,516	1,295	0	(50,256)
Administration	1,176,103	93,236	102,253	0	(980,614)
Fiscal	526,091	43,566	7,141	0	(475,384)
Business	59,499	5,234	0	0	(54,265)
Operation and Maintenance of Plant	1,894,490	142,047	86,010	0	(1,666,433)
Pupil Transportation	505,822	32,641	54,904	14,505	(403,772)
Central	53,586	3,251	14,100	0	(36,235)
Operation of Non-Instructional Services	136,028	583	72,340	0	(63,105)
Operation of Food Services	837,131	182,911	692,619	0	38,399
Extracurricular Activities	685,527	255,477	25,851	0	(404,199)
Interest and Fiscal Charges	230,868	0	0	0	(230,868)
Total Governmental Activities	\$21,437,086	\$1,785,457	\$3,486,561	\$14,505	(16,150,563)
General Revenues					
Property Taxes Levied for:					
					4,269,738
					479,665
					66,074
					11,770,172
					15,400
					46,692
					14,505
					16,662,246
					511,683
					25,824,582
					\$26,336,265

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,064,082	\$1,387,350	\$1,430,604	\$9,882,036
Accounts Receivable	784	0	0	784
Interfund Receivable	522,281	0	0	522,281
Intergovernmental Receivable	0	0	355,964	355,964
Property Taxes Receivable	4,845,320	477,937	57,719	5,380,976
Inventory Held for Resale	0	0	14,688	14,688
Materials and Supplies Inventory	0	0	3,496	3,496
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,629	0	0	22,629
<i>Total Assets</i>	<u>\$12,455,096</u>	<u>\$1,865,287</u>	<u>\$1,862,471</u>	<u>\$16,182,854</u>
Liabilities				
Accounts Payable	\$10,994	\$0	\$9,447	\$20,441
Accrued Wages and Benefits Payable	1,555,128	0	272,175	1,827,303
Intergovernmental Payable	397,784	0	72,354	470,138
Matured Compensated Absences Payable	47,964	0	0	47,964
Interfund Payable	0	0	522,281	522,281
Deferred Revenue	4,845,320	477,937	321,897	5,645,154
<i>Total Liabilities</i>	<u>6,857,190</u>	<u>477,937</u>	<u>1,198,154</u>	<u>8,533,281</u>
Fund Balances				
Nonspendable	0	0	18,184	18,184
Restricted	22,629	1,387,350	1,375,358	2,785,337
Assigned	523,420	0	0	523,420
Unassigned (Deficit)	5,051,857	0	(729,225)	4,322,632
<i>Total Fund Balances</i>	<u>5,597,906</u>	<u>1,387,350</u>	<u>664,317</u>	<u>7,649,573</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$12,455,096</u>	<u>\$1,865,287</u>	<u>\$1,862,471</u>	<u>\$16,182,854</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, 2011*

Total Governmental Fund Balances	\$7,649,573
 <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.	22,845,983
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	583,053
Intergovernmental Revenue	<u>264,178</u>
Total	847,231
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.	237,176
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.	82,953
Unamortized deferred amounts on advanced refunding are not recognized in the funds.	78,721
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(12,748)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(3,325,096)
Accretion on Capital Appreciation Bond	(541,719)
Unamortized Bond Premium	(130,285)
Energy Conservation Note	(101,000)
Compensated Absences	<u>(1,294,524)</u>
Total	<u>(5,392,624)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$26,336,265</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, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$4,194,850	\$471,597	\$65,119	\$4,731,566
Tuition and Fees	1,288,470	0	0	1,288,470
Interest	14,383	0	1,000	15,383
Charges for Services	0	0	182,911	182,911
Extracurricular Activities	81,918	0	224,171	306,089
Rentals	7,987	0	0	7,987
Contributions and Donations	8,307	0	28,083	36,390
Intergovernmental	11,617,232	95,344	4,160,797	15,873,373
Miscellaneous	36,867	0	9,825	46,692
<i>Total Revenues</i>	<u>17,250,014</u>	<u>566,941</u>	<u>4,671,906</u>	<u>22,488,861</u>
Expenditures				
Current:				
Instruction:				
Regular	7,734,602	0	568,836	8,303,438
Special	1,909,175	0	1,606,304	3,515,479
Vocational	456,264	0	86,859	543,123
Other	1,070,905	0	193,306	1,264,211
Support Services:				
Pupils	588,194	0	6,480	594,674
Instructional Staff	132,647	0	132,834	265,481
Board of Education	52,096	0	932	53,028
Administration	1,080,510	118	113,117	1,193,745
Fiscal	479,006	17,081	5,517	501,604
Business	60,352	0	0	60,352
Operation and Maintenance of Plant	1,641,372	0	205,051	1,846,423
Pupil Transportation	375,326	0	77,321	452,647
Central	37,501	0	16,085	53,586
Operation of Non-Instructional Services	6,725	0	134,729	141,454
Operation of Food Services	0	0	820,211	820,211
Extracurricular Activities	359,225	0	234,472	593,697
Capital Outlay	0	0	403,055	403,055
Debt Service:				
Principal Retirement	0	455,500	0	455,500
Interest and Fiscal Charges	0	159,838	0	159,838
Bond Issuance Costs	0	62,356	0	62,356
<i>Total Expenditures</i>	<u>15,983,900</u>	<u>694,893</u>	<u>4,605,109</u>	<u>21,283,902</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,266,114</u>	<u>(127,952)</u>	<u>66,797</u>	<u>1,204,959</u>
Other Financing Sources (Uses)				
Premium on Bonds Issued	0	132,187	0	132,187
Proceeds of Bonds	0	1,949,999	0	1,949,999
Proceeds from Sale of Capital Assets	14,505	0	0	14,505
Payment to Refunded Bond Escrow Agent	0	(2,019,830)	0	(2,019,830)
Transfers In	0	0	46,118	46,118
Transfers Out	(66,365)	0	0	(66,365)
<i>Total Other Financing Sources (Uses)</i>	<u>(51,860)</u>	<u>62,356</u>	<u>46,118</u>	<u>56,614</u>
<i>Net Change in Fund Balances</i>	1,214,254	(65,596)	112,915	1,261,573
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	4,383,652	1,452,946	551,402	6,388,000
<i>Fund Balances End of Year</i>	<u>\$5,597,906</u>	<u>\$1,387,350</u>	<u>\$664,317</u>	<u>\$7,649,573</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$1,261,573

***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	403,055
Current Year Depreciation	<u>(1,266,174)</u>

Total (863,119)

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

Property Taxes	83,911
Intergovernmental Revenue	<u>(638,548)</u>

Total (554,637)

The net effect of other financing sources and uses in the governmental funds is an increase to long-term liabilities in the statement of net assets.

General Obligation Refunding Bonds Issued	(1,949,999)
Premium on Refunding Bonds Issued	(132,187)
Deferred Amount on Advance Refunding	69,830
Bond Issuance Costs	<u>62,356</u>

(1,950,000)

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

2,405,500

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	4,627
Accreted Interest on Bonds	(66,470)
Amortization of Gain/Loss on Advance Refunding	(3,902)
Amortization of Bond Premium	1,902
Amortization of Bond Issuance Costs	<u>(7,187)</u>

Total (71,030)

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 138,985

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.

144,411

Change in Net Assets of Governmental Activities

\$511,683

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, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,104,000	\$4,104,000	\$4,194,850	\$90,850
Tuition and Fees	1,655,441	1,655,441	1,272,401	(383,040)
Interest	72,000	72,000	14,401	(57,599)
Extracurricular Activities	0	0	0	0
Rentals	29,370	29,370	7,926	(21,444)
Contributions and Donations	1,000	1,000	2,992	1,992
Intergovernmental	9,052,380	9,052,380	11,617,232	2,564,852
Miscellaneous	673,000	673,000	35,824	(637,176)
<i>Total Revenues</i>	<u>15,587,191</u>	<u>15,587,191</u>	<u>17,145,626</u>	<u>1,558,435</u>
Expenditures				
Current:				
Instruction:				
Regular	15,260,727	15,260,727	7,637,590	7,623,137
Special	1,579	1,579	1,878,386	(1,876,807)
Vocational	27,312	27,312	455,048	(427,736)
Other	664,777	664,777	1,190,048	(525,271)
Support Services:				
Pupils	21,635	21,635	581,874	(560,239)
Instructional Staff	351	351	132,230	(131,879)
Board of Education	1,759	1,759	60,670	(58,911)
Administration	5,303	5,303	1,074,750	(1,069,447)
Fiscal	18,203	18,203	473,513	(455,310)
Business	35	35	60,106	(60,071)
Operation and Maintenance of Plant	497,202	497,202	1,779,906	(1,282,704)
Pupil Transportation	47,697	47,697	422,690	(374,993)
Central	362	362	37,304	(36,942)
Operation of Non-Instructional Services	46,800	46,800	15,393	31,407
Extracurricular Activities	8,396	8,396	288,433	(280,037)
Capital Outlay	192,532	192,532	77,455	115,077
<i>Total Expenditures</i>	<u>16,794,670</u>	<u>16,794,670</u>	<u>16,165,396</u>	<u>629,274</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,207,479)</u>	<u>(1,207,479)</u>	<u>980,230</u>	<u>2,187,709</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	14,505	14,505
Advances Out	0	0	(479,919)	(479,919)
Transfers Out	(91,000)	(91,000)	(72,940)	18,060
<i>Total Other Financing Sources (Uses)</i>	<u>(91,000)</u>	<u>(91,000)</u>	<u>(538,354)</u>	<u>(447,354)</u>
<i>Net Change in Fund Balance</i>	(1,298,479)	(1,298,479)	441,876	1,740,355
<i>Fund Balance Beginning of Year</i>	5,434,660	5,434,660	5,434,660	0
<i>Prior Year Encumbrances Appropriated</i>	596,112	596,112	596,112	0
<i>Fund Balance End of Year</i>	<u>\$4,732,293</u>	<u>\$4,732,293</u>	<u>\$6,472,648</u>	<u>\$1,740,355</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, 2011

	<u>Internal Service</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$237,176
Current Liabilities	
	<u>0</u>
Net Assets	
Unrestricted	<u><u>\$237,176</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, 2011*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	\$185,050
Operating Expenses	
Claims	<u>60,903</u>
<i>Operating Income</i>	<u>124,147</u>
Non-Operating Revenues	
Interest	17
Transfers In	<u>20,247</u>
Total Non-Operating Revenues	<u>20,264</u>
<i>Change in Net Assets</i>	144,411
<i>Net Assets Beginning of Year</i>	<u>92,765</u>
<i>Net Assets End of Year</i>	<u><u>\$237,176</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, 2011

	<u>Internal Service</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Charges for Services	\$185,050
Cash Payments for Claims	<u>(71,415)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	113,635
Cash Flows from Investing Activities	
Interest on Investments	17
Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	<u>20,247</u>
<i>Net Increase in Cash and Cash Equivalents</i>	133,899
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>103,277</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$237,176</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income	\$124,147
Adjustments:	
Decrease in Claims Payable	<u>(10,512)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$113,635</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, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$65,293</u>
Liabilities	
Undistributed Monies	\$16,934
Due to Students	<u>48,359</u>
<i>Total Liabilities</i>	<u>\$65,293</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 121 certified full-time teaching personnel and 8 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 2011 fiscal year was 2,013. 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 (ACCESS), 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 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental 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, 2011

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, 2011

Bond Retirement Fund The bond retirement fund accounts for property tax revenues that are used for payment of principal, interest and fiscal charges on general obligation debt.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned 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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011

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 2011, 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, 2011.

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 2011 amounted to \$14,383, which includes \$316 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, 2011

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 17 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 and construction in progress, 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, 2011

K. Interfund Balances

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

L. Internal Activity

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

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

M. 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.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. 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 \$1,695,125, 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.

P. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the classroom facilities improvement refunding bonds are being amortized using the straight-line method over the life of the certificates on the government-wide statements. The straight-line method of amortization is not materially different from the effective interest method. On the fund financial statements, these costs are reported as expenditures in the year incurred.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Q. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are reported in the year the bonds are issued.

R. Deferred Amount (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old or new debt, whichever is shorter, and is presented net of the refunding general obligation bonds payable on the statement of net assets.

S. 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.

T. 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.

U. 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 – Change in Accounting Principle and Restatement of Fund Balance

A. Change in Accounting Principle

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District's financial statements.

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

B. Restatement of Fund Balance

During fiscal year 2011, the District restated beginning fund balances to account for the implementation of GASB Statement No. 54. Although this adjustment did not change governmental fund balances in total, it did change ending individual fund balances at June 30, 2010 as follows:

	General Fund	Bond Retirement	Other Governmental Funds	Total
Fund Balance at 6/30/10 Previously Reported	\$4,268,557	\$1,452,946	\$666,497	\$6,388,000
Change in Fund Structure (GASB 54)	115,095	0	(115,095)	0
Restated Fund Balances at 6/30/10	\$4,383,652	\$1,452,946	\$551,402	\$6,388,000

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2011 included the following individual fund deficits:

Nonmajor Governmental Funds:	Deficit
Education Jobs Fund	\$98,277
IDEA Part B Fund	532,929
Title I Fund	75,824
Improving Teacher Quality Fund	22,195

The IDEA Part B and Title I special revenue 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.

B. Compliance

At June 30, 2011, the following funds had negative cash balances, indicating that revenues from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10.

Nonmajor Governmental Funds:	Deficit
Education Jobs Fund	\$39,631
Improving Teacher Quality Fund	2,731

Management has indicated that all cash balances will be closely monitored to ensure no future violations.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the uniform school supplies, public school support and special enterprise special revenue funds.

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	\$1,214,254
Net Adjustment for Revenue Accruals	(104,388)
Net Adjustment for Expenditure Accruals	353,259
Advance Out	(479,919)
Net Adjustment for Funds Budgeted as Special Revenue	8,279
Adjustment for Encumbrances	(549,609)
Budget Basis	<u><u>\$441,876</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.

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For the Fiscal Year Ended June 30, 2011

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

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

Protection of 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, 2011

A. Cash on Hand

At fiscal year-end, the School District had \$3,300 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, 2011, the carrying amount of all District deposits was \$8,182,535. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2011, \$6,376,253 of the District's bank balance of \$8,264,567 was exposed to custodial risk as discussed below, while \$1,888,314 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, 2011, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$2,021,299	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, 2011

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, 2011:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Assets</u>	
Carrying amount of deposits	\$8,182,535	Governmental Activities	\$10,141,841
Investments	2,021,299	Agency Funds	65,293
Cash on hand	3,300		
Total	<u>\$10,207,134</u>		<u>\$10,207,134</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 located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2011 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 year 2011 (other than public utility property) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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 District at June 30, 2011.

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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$140,398,760	96.02 %	\$140,803,300	96.11 %
Public Utility Personal	5,590,340	3.82	5,701,380	3.89
Tangible Personal Property	226,545	0.14	0	0.00
Total	\$146,215,645	100.00 %	\$146,504,680	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$70.80		 \$64.70	

Note 8 - Receivables

Receivables at June 30, 2011, 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>	
Food Service Reimbursements	\$91,786
Education Jobs Grant	85,104
Title I Grant	141,204
Improving Teacher Quality Grant	37,870
Total Intergovernmental Receivable	\$355,964

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<i>Nonspendable</i>				
Inventory	\$0	\$0	\$18,184	\$18,184
<i>Restricted for</i>				
Food Service Operations	0	0	583,015	583,015
Community Activities	0	0	7,460	7,460
Technology Improvements	0	0	68,390	68,390
Classroom Maintenance	0	0	155,687	155,687
Athletics & Music	0	0	76,183	76,183
Auxiliary Services	0	0	5,199	5,199
Teacher Development	0	0	4,787	4,787
Student Achievement	0	0	140,427	140,427
Fiscal Stabilization	0	0	163,534	163,534
Summer Intervention Programs	0	0	86,244	86,244
Poverty Aid	0	0	26,470	26,470
Teacher Development	0	0	2,965	2,965
Drug Abuse Education	0	0	6,757	6,757
Debt Service Payments	0	1,387,350	0	1,387,350
Capital Improvements	0	0	867	867
Other Purposes	0	0	47,373	47,373
Bus Purchases	22,629	0	0	22,629
<i>Total Restricted</i>	22,629	1,387,350	1,375,358	2,785,337
<i>Assigned to</i>				
Other Purposes	106,816	0	0	106,816
Encumbrances	416,604	0	0	416,604
<i>Total Assigned</i>	523,420	0	0	523,420
<i>Unassigned (Deficit)</i>	5,051,857	0	(729,225)	4,322,632
<i>Total Fund Balances</i>	\$5,597,906	\$1,387,350	\$664,317	\$7,649,573

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
Governmental Activities:				
Capital assets not being depreciated				
Land	\$422,600	\$0	\$0	\$422,600
Construction in progress	345,431	0	(345,431)	0
Total capital assets not being depreciated	768,031	0	(345,431)	422,600
Capital assets being depreciated				
Land improvements	1,673,720	0	0	1,673,720
Buildings and improvements	31,194,142	345,431	0	31,539,573
Furniture, fixtures and equipment	1,048,172	0	0	1,048,172
Vehicles	942,178	403,055	(279,393)	1,065,840
Textbooks and Library Books	496,934	0	0	496,934
Total capital assets being depreciated	35,355,146	748,486	(279,393)	35,824,239
Accumulated depreciation				
Land improvements	(472,160)	(73,938)	0	(546,098)
Buildings and improvements	(10,156,906)	(1,033,875)	0	(11,190,781)
Furniture, fixtures and equipment	(540,510)	(87,624)	0	(628,134)
Vehicles	(747,565)	(70,737)	279,393	(538,909)
Textbooks and Library Books	(496,934)	0	0	(496,934)
Total accumulated depreciation	(12,414,075)	(1,266,174) *	279,393	(13,400,856)
Capital assets being depreciated, net	22,941,071	(517,688)	0	22,423,383
Governmental activities capital assets, net	\$23,709,102	(\$517,688)	(\$345,431)	\$22,845,983

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,034,405
Vocational	1,600
Support Services:	
Instructional Staff	15,774
Board of Education	3,039
Operation and Maintenance of Plant	50,859
Pupil Transportation	55,534
Operation of Non-Instructional Services	500
Operation of Food Services	14,539
Extracurricular	89,924
Total Depreciation Expense	\$1,266,174

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 – Interfund Activity

A. Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2011 interfund transfers were made as follows:

<u>Transfers To</u>	<u>Transfers From General Fund</u>
Non-major Governmental Funds:	
Classroom Facilities Maintenance Fund	\$34,970
Drug Free Schools Grant Fund	11,148
<i>Total Non-major Governmental Funds:</i>	<u>46,118</u>
Non-major Proprietary Fund:	
Employee Benefits Self Insurance	20,247
Total	<u><u>\$66,365</u></u>

B. Interfund Advances

During fiscal year 2011, the general fund advanced \$479,919 to the IDEA part B special revenue fund, which was an initial advance made during the fiscal year to cover grant costs not reimbursed by fiscal year end.

“Interfund receivable/payable” reported on the face of the financial statements also consist of gaap basis transfers created in order to cover negative cash in various Nonmajor funds. See note 4 for detail on the negative funds.

Note 12 - 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 2011, the School District contracted with Ohio Casualty/Liberty Mutual for property insurance with a \$1,000 deductible. Professional liability is also protected by Ohio Casualty/Liberty Mutual with a \$3,000,000 aggregate limit.

Vehicles are covered by Ohio Casualty/Liberty Mutual 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 also covered by Ohio Casualty/Liberty Mutual.

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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 Ohio Casualty/Liberty Mutual.

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.

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 twelve 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 \$997.60 for family coverage, \$748.19 for employee plus spouse, \$605.69 for employee plus children and \$356.29 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 \$22.59 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 \$0 reported in the internal service fund at June 30, 2011, 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
2010	\$10,525	102,474	102,487	\$10,512
2011	10,512	60,903	71,415	0

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Note 13 - Pension Plans

A. School Employees Retirement System

Plan Description - 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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$227,382, \$239,807, and \$163,183, respectively; 40.1 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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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.

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.

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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.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, 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, 2011, 2010, and 2009, were \$1,082,264, \$1,083,676, and \$1,054,542, respectively; 84.9 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$24,515 made by the District and \$17,511 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* will be available sometime after December 31, 2010.

Additional information or copies of STRS Ohio's 2010 *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 School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 14 – Postemployment Benefits

A - School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The District's contribution for the year ended June 30, 2011, 2010 and 2009 were \$14,633, \$14,261, and \$13,464, respectively, which equaled the required contributions each year.

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Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is allocated for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2011, 2010 and 2009 were \$55,578, \$50,938 and \$101,551, respectively; 40.8 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2011, 2010 and 2009 were \$83,251, \$83,360, and \$81,119, respectively; 84.9 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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Note 15 - Long-term Obligations

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

Governmental-Type Activities	Outstanding 6/30/10	Additions	Deductions	Outstanding 6/30/11	Due in One Year
General Obligation Bonds					
1992 School Improvement Refunding Bonds:					
Current Interest Term Bonds	\$1,105,000	\$0	(\$205,000)	\$900,000	\$215,000
Unamortized Loss	(12,793)	0	2,897	(9,896)	0
<i>Total 1992 School Improvement Refunding Bonds</i>	<u>1,092,207</u>	<u>0</u>	<u>(202,103)</u>	<u>890,104</u>	<u>215,000</u>
2000 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	220,000	0	(220,000)	0	0
Current Interest Term Bonds	1,950,000	0	(1,950,000)	0	0
Capital Appreciation Bonds	475,097	0	0	475,097	105,623
Accretion on Capital Appreciation Bonds	475,249	62,962	0	538,211	129,377
<i>Total 2000 Ohio School Facilities Bonds</i>	<u>3,120,346</u>	<u>62,962</u>	<u>(2,170,000)</u>	<u>1,013,308</u>	<u>235,000</u>
2011 Classroom Facilities Refunding Bonds:					
Current Interest Term Bonds	0	1,865,000	0	1,865,000	50,000
Capital Appreciation Bonds	0	84,999	0	84,999	0
Accretion on Capital Appreciation Bonds	0	3,508	0	3,508	0
Unamortized Premium	0	132,187	(1,902)	130,285	0
Unamortized Loss	0	(69,830)	1,005	(68,825)	0
<i>Total 2011 Classroom Facilities Refunding Bonds</i>	<u>0</u>	<u>2,015,864</u>	<u>(897)</u>	<u>2,014,967</u>	<u>50,000</u>
Total General Obligation Bonds	<u>4,212,553</u>	<u>2,078,826</u>	<u>(2,373,000)</u>	<u>3,918,379</u>	<u>500,000</u>
Other Long-Term Obligations:					
1998 Energy Conservation Note	131,500	0	(30,500)	101,000	32,000
Compensated Absences	1,433,509	4,366	(143,351)	1,294,524	212,308
Total Other Long-Term Obligations	<u>1,565,009</u>	<u>4,366</u>	<u>(173,851)</u>	<u>1,395,524</u>	<u>244,308</u>
Total Long-Term Obligations	<u><u>\$5,777,562</u></u>	<u><u>\$2,083,192</u></u>	<u><u>(\$2,546,851)</u></u>	<u><u>\$5,313,903</u></u>	<u><u>\$744,308</u></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.

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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, which were advance refunded in fiscal year 2011.

The 2000 general obligation bonds include capital appreciation bonds of \$475,097. This year the addition on these bonds aggregating \$62,962 represents the accretion of discounted interest. The final maturity of these bonds is \$1,175,000.

On April 18, 2011, the School District issued \$1,949,999 in general obligation refunding bonds at interest rates ranging from 2.1 percent to 4.0 percent. Bond proceeds were used to refund \$1,950,000 of the 2000 school improvement bonds.

Proceeds of \$2,019,830 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the 2000 school improvement bonds. As a result, \$1,950,000 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 \$69,830. This difference, being reported as a deferral in the accompanying financial statements, is being charged to operations through fiscal year 2023 using the straight-line method. The School District decreased its total debt service payments by \$221,500 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 \$203,377.

The 2011 general obligation bonds include a capital appreciation bond of \$84,999. This year the addition on this bond aggregating \$3,508 represents the accretion of discounted interest. The final maturity of this bond is \$260,000.

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 School District's overall legal debt margin was \$11,247,675 with an unvoted debt margin of \$146,505 at June 30, 2011. Principal requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	1992 Current Interest Bonds			2000 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$215,000	\$153,357	\$368,357	\$105,623	\$129,377	\$235,000
2013	220,000	139,778	359,778	97,652	137,348	235,000
2014	230,000	131,185	361,185	97,868	137,132	235,000
2015	235,000	122,070	357,070	90,261	144,739	235,000
2016	0	0	0	83,693	151,307	235,000
Total	\$900,000	\$546,390	\$1,446,390	\$475,097	\$699,903	\$1,175,000

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Fiscal Year Ending June 30,	2011 General Obligation Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$50,000	\$72,774	\$122,774	\$0	\$0	\$0
2013	25,000	64,165	89,165	0	0	0
2014	25,000	63,640	88,640	0	0	0
2015	25,000	63,115	88,115	0	0	0
2016	25,000	62,590	87,590	0	0	0
2017 - 2021	1,105,000	240,665	1,345,665	84,999	175,001	260,000
2022 - 2023	610,000	24,600	634,600	0	0	0
Total	\$1,865,000	\$591,549	\$2,456,549	\$84,999	\$175,001	\$260,000

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2012	\$32,000	\$5,020	\$37,020
2013	33,600	3,429	37,029
2014	35,400	1,759	37,159
Total	\$101,000	\$10,208	\$111,208

Note 16 - 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 \$20,000 and a maximum of \$50,000, \$20,000 for non-union classified employees, and a minimum \$20,000 and maximum of \$50,000 for classified employees. Life insurance coverage is provided through Mutual of Omaha.

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Note 17 - 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.

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2010	(\$308,300)	\$0
Current Year Set-Aside Requirement	298,780	298,780
Qualifying Disbursements	(240,311)	(421,776)
Current year offsets	0	(137,220)
Total	(\$249,831)	(\$260,216)
Set-Aside Balance Carried Forward to		
Future Fiscal Years	(\$249,831)	\$0
Cash balance as of June 30, 2011	\$0	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the amount to below zero for the textbook instructional material set-aside. This extra amount may be used to reduce the set-aside requirement of future years. Although the School District had qualifying disbursements during the fiscal year that reduces the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative balance is, therefore, not 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 \$22,629.

Note 18 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

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ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid \$56,500 to ACCESS during fiscal year 2011. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

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 2011, 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 2011, the Struthers City School District paid \$88,879 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.

Note 19 - 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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 20 - 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, 2011.

B. Litigation

At June 30, 2011, the School District was not party to any legal proceedings.

Note 21 – New Accounting Standards

In November of 2010, the GASB issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements.” The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, a type of public-private or public-public partnership. Statement No. 60 will not be effective for the District until fiscal year 2013 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November of 2010, the GASB also issued Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity by modifying the requirements for including component units and also amending the criteria for reporting component units. Statement No. 61 will not be effective for the District until fiscal year 2013 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

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Lunch Program	10.555	\$436,984	\$60,295	\$436,984	\$60,295
National School Breakfast Program	10.553	86,177		86,177	
Total Nutrition Cluster		523,161	60,295	523,161	60,295
Total U.S. Department of Agriculture		523,161	60,295	523,161	60,295
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education Grants to States					
IDEA-B - 2010	84.027	44,142		(11,478)	
IDEA-B - 2011	84.027	424,581		457,832	
IDEA-B - 2010 ARRA	84.391	462,385		63,968	
IDEA-B - 2011 ARRA	84.391	17,534		479,919	
Total Special Education Cluster		948,642		990,241	
Title I Part A Cluster:					
Grants to Local Educational Agencies					
Title I - 2010	84.010	197,572		143,130	
Title I - 2011	84.010	396,379		436,161	
Title I ARRA - 2010	84.389	323,404		67,485	
Title I ARRA - 2011	84.389	33,661		33,849	
Total Grants to Local Educational Agencies Cluster		951,016		680,625	
State Fiscal Stabilization Fund (SFSF)					
SFSF ARRA - 2010	84.394			260,773	
SFSF ARRA - 2011	84.394	839,314		634,545	
Total SFSF		839,314		895,318	
Education Technology	84.318	2,030		2,112	
Title II-A Improving Teacher Quality - 2010	84.367	3,072		(6,390)	
Title II-A Improving Teacher Quality - 2011	84.367	103,659		113,297	
Total Improving Teacher Quality		106,731		106,907	
Education Jobs Grant - 2011	84.410	276,421		316,052	
Total Department of Education		3,124,154		2,991,255	
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
<i>Passed Through Ohio Job and Family Services</i>					
Medical Assistance Program	93.778	6,234			
Total Federal Awards Receipts and Expenditures		3,653,549	\$60,295	\$3,514,416	\$60,295

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, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Struthers City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • 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 Avenue
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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 25, 2012. 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 opinion 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.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 25, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 25, 2012



Dave Yost • Auditor of State

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

Struthers City School District
Mahoning County
99 Euclid Avenue
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 could directly and materially affect each of the Struthers City School's major federal programs for the year ended June 30, 2011. 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 each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

As described in findings 2011-01 through 2011-03 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable expenditures and cash management applicable to its Special Education Cluster (IDEA-B and IDEA-B ARRA), Title I, State Fiscal Stabilization Fund and Education Jobs major federal programs. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Struthers City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-02 and 2011-03 to be significant deficiencies.

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



Dave Yost
Auditor of State

July 15, 2012

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Title I Cluster/84.010, 84.389 and Title VI-B (Special Ed. Cluster/84.027, 84.391) and Ed Jobs – Qualified SFSF/84.394 - Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I/84.010, 84.389 and Title VI-B(Special Ed. Cluster/84.027, 84.391) SFSF/84.394, Ed Jobs/84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Allowable Expenditures

Finding Number	2011-01
CFDA Title and Number	Title I / 84.010 Title VI-B (Special Education Cluster) / 84.027, 84.391 Education Jobs Fund / 84.410
Federal Award Number / Year	FY 2011
Federal Agency	US DEPARTMENT OF EDUCATION
Pass-Through Agency	OHIO DEPARTMENT OF EDUCATION

Non-Compliance, Material Weakness and Questioned Cost

During our testing of the Special Education Cluster, EdJobs and Title I grants, we noted the District did not have an appropriate level of oversight over grant expenditures nor were there adequate policies or procedures defining the process of the management of federal grants.

Grants management is a shared responsibility between the Treasurer and the Superintendent for the District. The Superintendent completed the Comprehensive Continuous Improvement Program (CCIP) which provides the framework for planning of the grants while the Treasurer reviewed the terms of each grant and determined which expenditures met the required criteria for fulfillment of the grant requirements. After this initial review, the Treasurer signed the purchase order, certifying the availability of Federal funds and encumbered these funds in the system, reviewed the invoices from the vendors, completed all compliance reviews of grant requirements on vendors, filed quarterly reports for ARRA funding, and other periodic reports for performance as required by the Federal Government. Further, the Treasurer completed project cash requests for reimbursement, reviewed matching requirements and was responsible to ensure that the District complied with period of availability requirements.

We found no evidence that the Superintendent attended any training on grants management. We found no evidence of grants management policies that identify who the grants managers/coordinators are, that delineate and segregate the duties of the grants managers/coordinators and include procedures the grants managers should follow. We also noted the District did not formulate an initial budget when they were notified the amount of the grant award, nor was there a meeting between the grants manager and grants coordinator to determine the necessary grant expenditures.

This lack of oversight and grant management procedures can and did result in expenditures being charged to grants which were questionable based on the grant agreements.

**Finding Number 2011-001
(Continued)**

We also noted the District paid expenditures related to activities which could possibly be outside the terms of this grant. The District paid for several seminars and trainings equaling \$523 which included DASL training for a secretary, negotiations seminars for administrators, mileage for a special needs training for the Director of Special Needs and a legal seminar for a principal. Further, the Treasurer transferred \$10,000 into the Title I ARRA payroll expenditures related to State Teachers Retirement and Medicare benefits without supporting documentation. The total of these expenditures is \$10,523. For these activities to be allowable, they must be directly related to Title I and help ensure that their purpose is to help children meet the high academic standards set by the State. Lastly, for payroll expenditures to be charged to Title I ARRA there should be direct support from payroll indicating who the benefits were paid for to ensure that expenditures are related to employees charged to Title I.

This has resulted in \$10,523 of federal questioned costs relating to Title I.

34 CFR § 80.20(a) requires that a State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. It goes on to state that fiscal control and accounting procedures of the State, as well as its subgrantees, for expending and accounting for its own funds must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant,
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR § 80.20(b) requires the financial management systems of other grantees and subgrantees meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
- (4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
- (5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocation of costs.

**Finding Number 2011-001
(Continued)**

(6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

(7) *Cash management.* Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Failure to improve the internal controls over grants management could result in further questioned costs, return of grant funding to ODE or most significantly loss of entire grant program funding by the District.

We recommend the District improve its internal controls over grants management by:

- Writing and adhering to a grants management policy outlining at the minimum the procedure for the completion of the CCIP, review of expenditures for allowability and requests for reimbursement of expenditures
- Segregating duties for grants management between all administration not just the Treasurer
- Completion of annual grants management training by the Superintendent and/or other administrative staff in charge of monitoring District grants
- Formulating an initial budget when the District is notified the amount of the grant award and setting a meeting between the grants manager and grants coordinator to determine the necessary grant expenditures
- Ensure that both Title I and Special Education Cluster teachers and support staff complete semi-annual certificates or time and effort logs
- Providing the appropriate administrator's signature on the purchase orders evidencing expenditure allowability and allocability to the grants before the Treasurer certifies the availability of funds
- Completing the CCIP in May of the preceding fiscal year as suggested by ODE to allow grant funding to be substantially approved by July 1
- Attaching FINSUMs or other supporting budgetary documents evidencing reimbursement of grant expenditures when preparing the PCR and when submitting the FER to ODE
- Evidencing Board approval in the District minutes of the CCIP
- Presenting periodic updates of grant activity to the Board to ensure continuous monitoring of activity.

**Finding Number 2011-001
 (Continued)**

We recommend the District review the grant guidelines thoroughly and resolve any questions that result prior to incurring any obligations. The District should make sure they are aware of what activities are allowed by the grant.

Official's Response:

Other training expenses should have been charged to the grant by the former Treasurer that would have met the criteria for Title I. This will be noted for future purposes.

Five thousand dollars was charged to STRS and five thousand dollars was charged to Medicare as reductions of expenditures to Title I ARRA by the former Treasurer rather than through direct charges. These amounts were necessary expenditures for the District to employ the teachers. This has now been corrected and payroll is directly charged to the grants.

The Superintendent will attend grant training in the future.

2. Education Jobs Fund Allowable Expenditures

Finding Number	2011-02
CFDA Title and Number	Education Jobs Fund/84.410
Federal Award Number / Year	FY 2011
Federal Agency	US DEPARTMENT OF EDUCATION
Pass-Through Agency	OHIO DEPARTMENT OF EDUCATION

Non-Compliance Finding, Significant Deficiency and Questioned Cost

2 CFR § 225, states for a cost to be allowable, it must be for the purpose the specific award permits and fall within A-87's allowable cost guidelines. For Educational Jobs (EdJobs), Public Law 111-226, prohibits LEAs from using Ed Jobs funds for general administrative expenses. These prohibited expenses are specifically related to the operation of the superintendent's office or the board of education, including the salaries and benefits of District administrative employees. In a substantive test of payroll, we noted a portion of the salary of the Director of Special Education was charged to the EdJobs Fund.

This has resulted in \$59,891 of federal questioned costs relating to the EdJobs grant monies.

The District should review the specific terms and conditions of each grant agreement for allowable expenditures before charging expenditures to a grant fund.

Official's Response:

The Director of Special Education was charged incorrectly to this grant by the former Treasurer. The Superintendent indicated that new teachers were supposed to be charged and he has a list of six teachers that should have been charged to the Education Jobs grant. This has now been corrected and payroll is directly charge to the grants.

3. State Fiscal Stabilization Fund Cash Management

Finding Number	2011-03
CFDA Title and Number	STATE FISCAL STABILIZATION FUND, 84.394
Federal Award Number / Year	2011
Federal Agency	US DEPARTMENT OF EDUCATION
Pass-Through Agency	OHIO DEPARTMENT OF EDUCATION

Non-Compliance Finding and Significant Deficiency

34 CFR 80.20 (b)(7) states in part: "When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements." Procedures for minimizing the time elapsing between the transfer of funds from the US Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

State Fiscal Stabilization Fund (SFSF) program funds were advanced to Local Educational Agencies (LEA) through the foundation program as indicated in the ODE PAtHway to Student Success (PASS) form, a form in FY 2011 that shows funding information for the components of the Evidence Based Funding Model (EBM). Foundation payments are automatically sent to LEA's on a bi-monthly basis. The PASS form breaks out the individual components of EBM, including the amount representing SFSF. SFSF funds are required to be deposited into USAS Fund 532 as described in Section V of the FACCR. LEA's must have an internal control system in place for ensure advance SFSF payments are spent timely (i.e., within 30 days).

The District did not obligate or spend the SFSF monies within 30 days of receipt in fiscal year 2011, although the money was received throughout the fiscal year. The balance at June 30, 2011 was \$204,768 and the balance varied from a low of \$30,134 to a high of \$294,722 throughout the grant period. A significant balance was allowed to accrue in the 532 fund throughout the fiscal year and we noted that monies received were not routinely spent within 30 days of receipt. Interest earned on these funds using the U.S Treasurer Current Value of Funds rate total \$243 as of June 30, 2011, An amount of \$100 per entity per year may be retained under 34 CFR Section 80.21 for administrative expenses. Interest earned in excess of that must be remitted to the U.S Department of Education via a check sent to the Ohio Department of Education.

Official's Response:

The former Treasurer did not directly charge payroll to this account and as such did not always meet the 30 day rule. This has now been corrected and payroll is directly charged to the grants.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	<p>Non-Compliance Finding, Questioned Cost and Material Weakness</p> <p>34 CFR § 300.202 provides that a Local Education Agency (LEA)/School District may only use Federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities.</p>	Yes	Finding No Longer Valid
2010-02	<p>Non-Compliance Finding, Questioned Cost and Material Weakness</p> <p>2 CFR § 225, Appendix B, paragraph 8.h.(3) states that where employees are expected to work on a single cost objective a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.</p>	Yes	Finding No Longer Valid
2010-03	<p>Material Weakness</p> <p>During our testing of the Special Education Cluster and Title I grants, we noted the District did not have an appropriate level of oversight over grant expenditures nor were there adequate policies or procedures defining the process of the management of federal grants.</p>	No	Repeated in Finding 2011-01

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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
DECEMBER 4, 2012**