



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

April 10, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

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Auditor of State Betty Montgomery

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, 2005, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Struthers City School District, Mahoning County, Ohio, as of June 30, 2005, 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.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As described in Note 1 to the financial statements, the District has been declared to be in fiscal emergency under criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the District's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

January 5, 2007

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Struthers City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$752,414 which represents a 3.47% decrease from 2004.
- General revenues accounted for \$15,473,676 in revenue or 82.88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,195,208 or 17.12% of total revenues of \$18,668,884.
- The District had \$19,421,298 in expenses related to governmental activities; only \$3,195,208 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,473,676 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$16,342,669 in revenues and other financing sources and \$14,831,163 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund deficit decreased \$1,506,506 from \$3,307,544 to \$1,801,038.
- The District's other major governmental fund is the bond retirement fund. The bond retirement fund had \$867,670 in revenues and \$659,655 in expenditures. During fiscal year 2005, the bond retirement fund's fund balance increased \$208,015 from \$1,485,661 to \$1,693,676.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Reporting the District's Fiduciary Responsibilities

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 on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-53 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004. 2004 net assets have been restated as described in Note 3.B.

	Net Assets	
	Governmental Activities 2005	Restated Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 8,250,707	\$ 6,141,674
Capital assets	<u>29,244,510</u>	<u>30,275,227</u>
Total assets	<u>37,495,217</u>	<u>36,416,901</u>
<u>Liabilities</u>		
Current liabilities	7,114,405	6,845,980
Long-term liabilities	<u>9,463,172</u>	<u>7,900,867</u>
Total liabilities	<u>16,577,577</u>	<u>14,746,847</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	23,884,484	24,631,443
Restricted	2,577,111	1,610,095
Unrestricted (deficit)	<u>(5,543,955)</u>	<u>(4,571,484)</u>
Total net assets	<u>\$ 20,917,640</u>	<u>\$ 21,670,054</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$20,917,640. Of this total, \$2,577,111 is restricted in use.

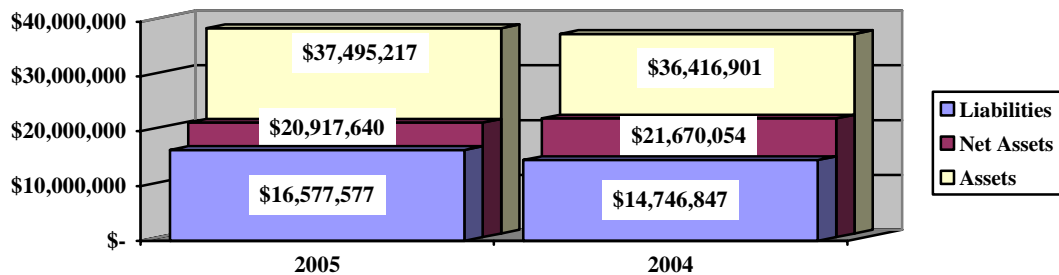
**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

At year-end, capital assets represented 78.00% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$23,884,484. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,577,111, represents resources that are subject to external restriction on how they may be used.

Governmental Activities



The table below shows the change in net assets for fiscal year 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Increase (Decrease)	Percentage Change
Revenues				
Program revenues:				
Charges for services and sales	\$ 529,919	\$ 485,300	\$ 44,619	9.19 %
Operating grants and contributions	2,664,646	2,294,826	369,820	16.12 %
Capital grants and contributions	643	61,528	(60,885)	(98.95) %
General revenues:				
Property taxes	4,969,428	4,824,361	145,067	3.01 %
Grants and entitlements	10,265,710	9,801,393	464,317	4.74 %
Investment earnings	32,625	51,280	(18,655)	(36.38) %
Other	205,913	140,946	64,967	46.09 %
Total revenues	18,668,884	17,659,634	1,009,250	5.72 %

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Increase (Decrease)	Percentage Change
<u>Expenses</u>				
Program expenses:				
Instruction:				
Regular	\$ 9,215,887	\$ 9,634,303	\$ (418,416)	(4.34) %
Special	1,819,655	1,615,999	203,656	12.60 %
Vocational	511,073	901,534	(390,461)	(43.31) %
Adult	236	20,814	(20,578)	(98.87) %
Other	815,638	861,029	(45,391)	(5.27) %
Support services:				
Pupil	724,730	711,311	13,419	1.89 %
Instructional staff	433,452	550,746	(117,294)	(21.30) %
Board of education	81,500	112,315	(30,815)	(27.44) %
Administration	1,371,820	1,395,133	(23,313)	(1.67) %
Fiscal	477,901	449,150	28,751	6.40 %
Business	50,561	52,295	(1,734)	(3.32) %
Operations and maintenance	1,711,498	2,112,822	(401,324)	(18.99) %
Pupil transportation	435,319	417,734	17,585	4.21 %
Central	86,325	93,595	(7,270)	(7.77) %
Food service operations	682,114	652,409	29,705	4.55 %
Operations of non-instructional services	156,421	154,571	1,850	1.20 %
Extracurricular activities	472,945	466,562	6,383	1.37 %
Interest and fiscal charges	374,223	574,845	(200,622)	(34.90) %
Total expenses	<u>19,421,298</u>	<u>20,777,167</u>	<u>(1,355,869)</u>	(6.53) %
Change in net assets	(752,414)	(3,117,533)	2,365,119	75.87
Net assets at beginning of year	<u>21,670,054</u>	<u>24,787,587</u>	<u>(3,117,533)</u>	(12.58) %
Net assets at end of year	<u>\$ 20,917,640</u>	<u>\$ 21,670,054</u>	<u>\$ (752,414)</u>	(3.47) %

Governmental Activities

Net assets of the District's governmental activities decreased \$752,414. Total governmental expenses of \$19,421,298 were offset by program revenues of \$3,195,208 and general revenues of \$15,473,676. Program revenues supported 16.45% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 81.61% of total governmental revenue.

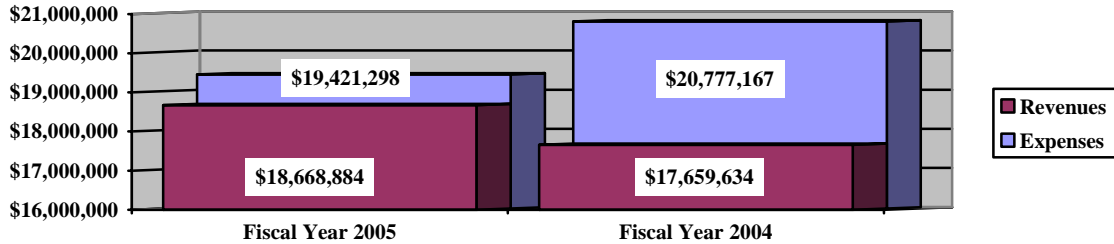
The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,362,489 or 63.65% of total governmental expenses for fiscal 2005.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

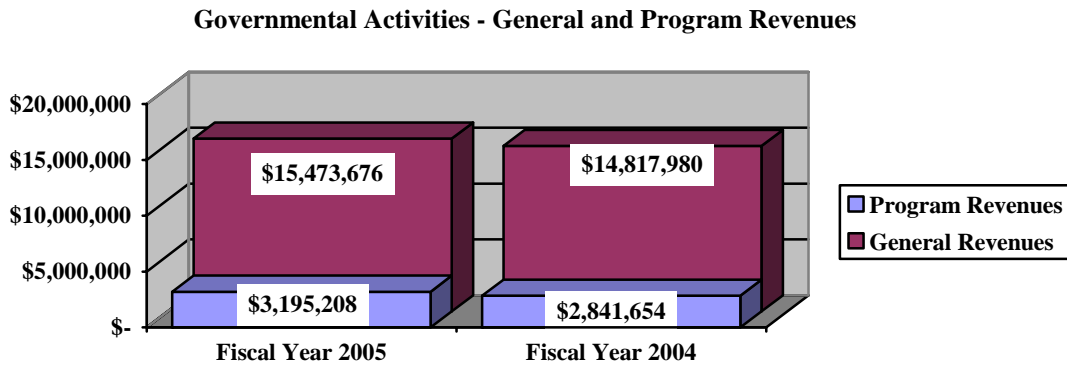
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 9,215,887	\$ 8,544,772	\$ 9,634,303	\$ 8,982,339
Special	1,819,655	1,065,354	1,615,999	1,045,632
Vocational	511,073	510,430	901,534	901,534
Adult	236	236	20,814	20,814
Other	815,638	754,424	861,029	772,056
Support services:				
Pupil	724,730	641,590	711,311	685,802
Instructional staff	433,452	139,422	550,746	239,865
Board of education	81,500	81,500	112,315	112,315
Administration	1,371,820	1,231,258	1,395,133	1,260,531
Fiscal	477,901	473,251	449,150	445,631
Business	50,561	50,561	52,295	52,295
Operations and maintenance	1,711,498	1,711,498	2,112,822	2,091,220
Pupil transportation	435,319	401,492	417,734	372,905
Central	86,325	70,877	93,595	93,595
Food service operations	682,114	(60,333)	652,409	76,931
Operations of non-instructional services	156,421	156,421	154,571	154,571
Extracurricular activities	472,945	79,114	466,562	52,632
Interest and fiscal charges	374,223	374,223	574,845	574,845
Total expenses	<u>\$ 19,421,298</u>	<u>\$ 16,226,090</u>	<u>\$ 20,777,167</u>	<u>\$ 17,935,513</u>

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 87.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.55%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$424,050, which is higher than last year's fund deficit of \$1,266,896. The June 30, 2004 fund balances have been restated as detailed in Note 3.A. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance (Deficit) <u>June 30, 2005</u>	Restated Fund Balance (Deficit) <u>June 30, 2004</u>	Increase (Decrease)	Percentage Change
General	\$(1,801,038)	\$(3,307,544)	\$ 1,506,506	45.55 %
Bond Retirement	1,693,676	1,485,661	208,015	14.00 %
Other Governmental	<u>531,412</u>	<u>554,987</u>	<u>(23,575)</u>	(4.25) %
Total	<u>\$ 424,050</u>	<u>\$(1,266,896)</u>	<u>\$ 1,690,946</u>	133.47 %

General Fund

The District's general fund deficit decreased \$1,506,506. The decrease in fund deficit can be attributed to several items related to increasing revenues and decreased expenditures. The state solvency loan of \$1,907,000 greatly aided the District in decreasing its general fund deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	<u>2005</u>	<u>2004</u>	<u>Increase</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,044,594	\$ 3,695,195	\$ 349,399	9.46 %
Tuition	19,894	49,064	(29,170)	(59.45) %
Earnings on investments	30,081	39,143	(9,062)	(23.15) %
Intergovernmental	10,153,047	9,446,032	707,015	7.48 %
Other revenues	<u>180,299</u>	<u>111,303</u>	<u>68,996</u>	61.99 %
 Total	 <u>\$ 14,427,915</u>	 <u>\$ 13,340,737</u>	 <u>\$ 1,087,178</u>	 8.15 %
 <u>Expenditures</u>				
Instruction	\$ 9,712,302	\$ 10,185,273	\$ (472,971)	(4.64) %
Support services	4,800,209	4,807,452	(7,243)	(0.15) %
Non-instructional services	-	296	(296)	(100.00) %
Extracurricular activities	209,143	223,756	(14,613)	(6.53) %
Facilities acquisition and construction	-	306,346	(306,346)	100.00 %
Capital outlay	-	221,940	(221,940)	(100.00) %
Debt service	<u>109,509</u>	<u>48,578</u>	<u>60,931</u>	125.43 %
 Total	 <u>\$ 14,831,163</u>	 <u>\$ 15,793,641</u>	 <u>\$ (962,478)</u>	 (6.09) %

Bond Retirement Fund

The District's other major governmental fund is the bond retirement fund. The bond retirement fund had \$867,670 in revenues, a decrease of \$800,947 from 2004. The bond retirement fund had \$659,655 in expenditures, a decrease of \$750,556 from 2004. These decreases are due to the tax revenue and payment associated with the tax anticipation note, which was paid from the general fund instead of the bond retirement fund, during fiscal year 2005. During fiscal year 2005, the bond retirement fund's fund balance increased \$208,015 from \$1,485,661 to \$1,693,676.

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$14,794,804 and final budgeted revenues and other financing sources were \$17,083,337. Actual revenues and other financing sources for fiscal 2005 was \$16,086,145. This represents a \$997,192 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$15,366,756 were increased to \$15,428,679 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$14,934,191, which was \$494,488 lower than the final budget appropriations.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$29,244,510 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. 2004 capital assets have been restated as detailed in Note 3.B. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 422,600	\$ 422,600
Construction in progress	-	1,879,014
Land improvements	295,076	312,844
Building and improvements	27,488,522	26,442,302
Furniture and equipment	556,977	610,721
Vehicles	202,414	246,003
Textbooks	278,921	361,743
Total	\$ 29,244,510	\$ 30,275,227

The overall decrease in capital assets of \$1,030,717 is due to depreciation expense of \$1,219,984 exceeding capital outlays of \$189,267 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2005, the District had \$5,878,377 in general obligation bonds, \$263,700 in energy conservation notes, \$240,316 in state operating loans and \$1,907,000 in state solvency loans outstanding. Of this total, \$1,607,789 is due within one year and \$6,681,604 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2005	2004
General obligation bonds	\$ 5,878,377	\$ 6,176,508
State solvency loan	1,907,000	-
State operating loan	240,316	468,708
Energy conservation notes	263,700	286,500
Total	\$ 8,289,393	\$ 6,931,716

At June 30, 2005, the District's overall legal debt margin was \$7,915,017, and an unvoted debt margin of \$134,441.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Current Financial Related Activities

Struthers City School District has a weak financial outlook due to its dependence upon grants and state entitlements coupled with an over reliance of the taxes for the school district coming from local business and industry amounting to 22 percent. One can see the significant impact of any external market changes would have on the school 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 redistribution of commercial and industrial property taxes.

As a result of the challenge 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. Internally, the challenge of operating expenses exceeding revenue resulted in the certification of an operating deficit on March 18, 2005 by the Auditor of the State of Ohio. With the failure of an 8.0 mill operating levy in the May 2005 election, a declaration of fiscal emergency was declared on May 11, 2005 pursuant to ORC 3316.03. On May 16, 2005 a Financial Planning & Supervision Commission chaired by Mr. Joe Funai was established. Facing the situation of ending the fiscal year with a negative general fund cash balance, on June 22, 2005 an advance of \$1,907,000 from the Solvency Assistance Fund was approved pursuant to ORC 3316.20(B). In summary, the operating control of the fiscal affairs of the Struthers City School District has been assumed by the State of Ohio. In response to these challenges, the district's management has adopted on September 26, 2005 a recovery plan pursuant to ORC 3316 in order to rectify said situation.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Michael Evanson, Treasurer, Struthers City School District, 99 Euclid Avenue, Struthers, Ohio 44471-1831.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,846,319
Cash in segregated accounts	24,178
Receivables:	
Taxes	5,233,182
Accounts	291
Intergovernmental	73,134
Accrued interest	31
Materials and supplies inventory.	14,338
Deferred charges	59,234
Capital assets:	
Land	422,600
Depreciable capital assets, net	28,821,910
Capital assets, net.	<u>29,244,510</u>
 Total assets.	 <u>37,495,217</u>
Liabilities:	
Accounts payable.	20,557
Retainage payable	263
Accrued wages and benefits	1,687,574
Pension obligation payable.	363,465
Intergovernmental payable	84,143
Deferred revenue	4,674,636
Accrued interest payable	28,274
State operating loan payable	240,316
Claims payable	15,177
Long-term liabilities:	
Due within one year.	1,599,939
Due within more than one year	7,863,233
Total liabilities	<u>16,577,577</u>
Net Assets:	
Invested in capital assets, net of related debt.	23,884,484
Restricted for:	
Capital projects	145,970
Debt service.	1,734,763
Classroom facilities maintenance	308,841
Locally funded programs	60,951
State funded programs	47,364
Federally funded programs	80,129
Student activities	23,357
Other purposes	175,736
Unrestricted (deficit)	<u>(5,543,955)</u>
 Total net assets	 <u>\$ 20,917,640</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, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,215,887	\$ 72,206	\$ 598,909	\$ -	\$ (8,544,772)
Special	1,819,655	-	754,301	-	(1,065,354)
Vocational	511,073	-	-	643	(510,430)
Adult	236	-	-	-	(236)
Other	815,638	-	61,214	-	(754,424)
Support services:					
Pupil	724,730	-	83,140	-	(641,590)
Instructional staff	433,452	-	294,030	-	(139,422)
Board of education	81,500	-	-	-	(81,500)
Administration	1,371,820	-	140,562	-	(1,231,258)
Fiscal	477,901	4,650	-	-	(473,251)
Business	50,561	-	-	-	(50,561)
Operations and maintenance	1,711,498	-	-	-	(1,711,498)
Pupil transportation	435,319	21,433	12,394	-	(401,492)
Central	86,325	-	15,448	-	(70,877)
Operation of non-instructional services:					
Food service operations	682,114	176,728	565,719	-	60,333
Other non-instructional services	156,421	-	-	-	(156,421)
Extracurricular activities	472,945	254,902	138,929	-	(79,114)
Interest and fiscal charges	374,223	-	-	-	(374,223)
Total governmental activities	\$ 19,421,298	\$ 529,919	\$ 2,664,646	\$ 643	(16,226,090)
General Revenues:					
Property taxes levied for:					
General purposes					4,141,360
Special revenue					59,721
Debt service					768,347
Grants and entitlements not restricted to specific programs					
Investment earnings					10,265,710
Miscellaneous					32,625
					205,913
Total general revenues					15,473,676
Change in net assets					(752,414)
Net assets at beginning of year (restated)					21,670,054
Net assets at end of year					\$ 20,917,640

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 168,015	\$ 1,693,676	\$ 823,501	\$ 2,685,192
Cash in segregated accounts	-	-	263	263
Receivables:				
Taxes	4,416,351	753,431	63,400	5,233,182
Accounts	266	-	25	291
Intergovernmental	-	-	73,134	73,134
Accrued interest	31	-	-	31
Due from other funds	25,086	-	-	25,086
Materials and supplies inventory	-	-	14,338	14,338
Restricted assets:				
Equity in pooled cash and cash equivalents	161,127	-	-	161,127
Total assets	<u>\$ 4,770,876</u>	<u>\$ 2,447,107</u>	<u>\$ 974,661</u>	<u>\$ 8,192,644</u>
Liabilities:				
Accounts payable	\$ 16,684	\$ -	\$ 3,873	\$ 20,557
Retainage payable	-	-	263	263
Accrued wages and benefits	1,462,216	-	225,358	1,687,574
Compensated absences payable	84,300	-	28,999	113,299
Pension obligation payable.	280,468	-	82,997	363,465
Intergovernmental payable.	71,579	-	12,564	84,143
Due to other funds	-	-	25,086	25,086
State operating loan payable	240,316	-	-	240,316
Deferred revenue.	4,416,351	753,431	64,109	5,233,891
Total liabilities	<u>6,571,914</u>	<u>753,431</u>	<u>443,249</u>	<u>7,768,594</u>
Fund Balances:				
Reserved for encumbrances	136,149	-	181,281	317,430
Reserved for materials and supplies inventory.	-	-	14,338	14,338
Reserved for debt service.	-	1,693,676	-	1,693,676
Reserved for school bus purchases.	11,051	-	-	11,051
Reserved for capital acquisition	150,076	-	-	150,076
Unreserved, undesignated (deficit), reported in:				
General fund	(2,098,314)	-	-	(2,098,314)
Special revenue funds.	-	-	200,393	200,393
Capital projects funds.	-	-	135,400	135,400
Total fund balances (deficit)	<u>(1,801,038)</u>	<u>1,693,676</u>	<u>531,412</u>	<u>424,050</u>
Total liabilities and fund balances	<u>\$ 4,770,876</u>	<u>\$ 2,447,107</u>	<u>\$ 974,661</u>	<u>\$ 8,192,644</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, 2005

Total governmental fund balances		\$	424,050
<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.			29,244,510
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	558,546	
Intergovernmental revenue		709	
Total			559,255
An internal service fund is used by management to charge the costs of health and dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			8,738
Bond issuance costs will be amortized over the life of the bonds on the state of net assets.			59,234
Unamortized deferred amount on advance refunding is not recognized in the funds.			27,276
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds			(28,274)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,196,277	
General obligation bonds payable		5,878,377	
Capital lease obligation		131,795	
State solvency loan		1,907,000	
Energy conservation note		263,700	
Total			(9,377,149)
Net assets of governmental activities		\$	20,917,640

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, 2005

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,044,594	\$ 763,439	\$ 58,446	\$ 4,866,479
Tuition.	19,894	-	3,700	23,594
Transportation fees	21,433	-	-	21,433
Earnings on investments.	30,081	-	2,296	32,377
Charges for services.	-	-	176,728	176,728
Extracurricular.	-	-	259,552	259,552
Classroom materials and fees	-	-	13,883	13,883
Other local revenues.	158,866	-	150,790	309,656
Intergovernmental - State	10,145,497	104,231	857,298	11,107,026
Intergovernmental - Federal.	7,550	-	1,712,442	1,719,992
Total revenue	<u>14,427,915</u>	<u>867,670</u>	<u>3,235,135</u>	<u>18,530,720</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,348,950	-	727,910	8,076,860
Special.	1,081,377	-	753,385	1,834,762
Vocational.	508,457	-	643	509,100
Adult	-	-	236	236
Other	773,518	-	42,120	815,638
Support services:				
Pupil.	695,762	-	41,989	737,751
Instructional staff	128,849	-	255,976	384,825
Board of education	77,730	-	-	77,730
Administration.	1,284,075	1,206	110,230	1,395,511
Fiscal	451,981	18,832	4,202	475,015
Business	50,805	-	-	50,805
Operations and maintenance.	1,649,742	-	54,146	1,703,888
Pupil transportation	388,897	-	11,314	400,211
Central.	72,368	-	13,000	85,368
Operation of non-instructional services:				
Food service operations	-	-	666,697	666,697
Other non-instructional services.	-	-	149,409	149,409
Extracurricular activities.	209,143	-	263,634	472,777
Facilities acquisition and construction	-	-	189,267	189,267
Debt service:				
Principal retirement	72,375	392,800	9,616	474,791
Interest and fiscal charges	37,134	246,817	936	284,887
Total expenditures	<u>14,831,163</u>	<u>659,655</u>	<u>3,294,710</u>	<u>18,785,528</u>
Excess of revenues over (under) expenditures	<u>(403,248)</u>	<u>208,015</u>	<u>(59,575)</u>	<u>(254,808)</u>
Other financing sources (uses):				
Transfers in	-	-	5,000	5,000
Transfers (out)	(5,000)	-	-	(5,000)
Sale of capital assets	7,754	-	31,000	38,754
State solvency loan	1,907,000	-	-	1,907,000
Total other financing sources (uses)	<u>1,909,754</u>	<u>-</u>	<u>36,000</u>	<u>1,945,754</u>
Net change in fund balances	1,506,506	208,015	(23,575)	1,690,946
Fund balances (deficit)				
at beginning of year (restated).	(3,307,544)	1,485,661	554,987	(1,266,896)
Fund balances (deficit) at end of year	<u>\$ (1,801,038)</u>	<u>\$ 1,693,676</u>	<u>\$ 531,412</u>	<u>\$ 424,050</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, 2005

Net change in fund balances - total governmental funds	\$	1,690,946
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital outlay	\$ 189,267	
Depreciation expense	(1,219,984)	
Total		(1,030,717)
Deferred amounts on advance refundings are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(2,896)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(6,290)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	102,949	
Intergovernmental	(3,787)	
Total		99,162
Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		474,791
Proceeds of notes and bonds are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(1,907,000)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Accrued interest payable	1,335	
Accreted interest	(81,485)	
Total		(80,150)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		18,770
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(9,030)
Change in net assets of governmental activities	\$	(752,414)

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 AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 3,395,616	\$ 3,920,867	\$ 3,179,188	\$ (741,679)
Tuition	38,972	45,000	19,894	(25,106)
Transportation fees	22,517	26,000	24,933	(1,067)
Earnings on investments	27,713	32,000	30,050	(1,950)
Other local revenues	139,226	160,762	114,954	(45,808)
Intergovernmental - State	8,768,225	10,124,538	9,900,324	(224,214)
Intergovernmental - Federal	17,321	20,000	7,550	(12,450)
Total revenue	<u>12,409,590</u>	<u>14,329,167</u>	<u>13,276,893</u>	<u>(1,052,274)</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,672,730	7,703,650	7,342,226	361,424
Special	1,028,882	1,033,028	1,079,556	(46,528)
Vocational	603,851	606,284	595,760	10,524
Other	743,901	746,899	781,372	(34,473)
Support services:				
Pupil	676,482	679,208	684,160	(4,952)
Instructional staff	123,988	124,488	137,693	(13,205)
Board of education	142,612	143,187	84,131	59,056
Administration	1,399,468	1,405,107	1,280,745	124,362
Fiscal	426,533	428,252	462,933	(34,681)
Business	54,662	54,882	50,823	4,059
Operations and maintenance	1,774,665	1,781,816	1,710,734	71,082
Pupil transportation	422,949	424,653	437,873	(13,220)
Central	73,284	73,579	72,686	893
Extracurricular activities	215,255	216,122	208,499	7,623
Facilities acquisition and construction	2,514	2,524	-	2,524
Total expenditures	<u>15,361,776</u>	<u>15,423,679</u>	<u>14,929,191</u>	<u>494,488</u>
Excess of revenues under expenditures	<u>(2,952,186)</u>	<u>(1,094,512)</u>	<u>(1,652,298)</u>	<u>(557,786)</u>
Other financing sources (uses):				
Refund of prior year expenditure	89,577	103,433	44,498	(58,935)
Transfers (out)	(4,980)	(5,000)	(5,000)	-
Sale of notes	736,132	850,000	850,000	-
State solvency loan	1,550,871	1,790,767	1,907,000	116,233
Sale of capital assets	8,634	9,970	7,754	(2,216)
Total other financing sources (uses)	<u>2,380,234</u>	<u>2,749,170</u>	<u>2,804,252</u>	<u>55,082</u>
Net change in fund balance	(571,952)	1,654,658	1,151,954	(502,704)
Fund balance (deficit)				
at beginning of year	(1,121,060)	(1,121,060)	(1,121,060)	-
Prior year encumbrances appropriated	170,501	170,501	170,501	-
Fund balance at end of year	<u>\$ (1,522,511)</u>	<u>\$ 704,099</u>	<u>\$ 201,395</u>	<u>\$ (502,704)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

	Governmental Activities - Internal Service Fund
Assets:	
Cash in segregated accounts	\$ 23,915
Total assets	<u>23,915</u>
Liabilities:	
Claims payable	<u>15,177</u>
Total liabilities	<u>15,177</u>
Net assets:	
Unrestricted	<u>8,738</u>
Total net assets	<u><u>\$ 8,738</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 116,689
Total operating revenues	<u>116,689</u>
Operating expenses:	
Purchased services	7,961
Claims	<u>118,006</u>
Total operating expenses	<u>125,967</u>
Operating loss	<u>(9,278)</u>
Nonoperating revenues:	
Interest revenue	<u>248</u>
Total nonoperating revenues	<u>248</u>
Change in net assets.	(9,030)
Net assets at beginning of year	<u>17,768</u>
Net assets at end of year.	<u><u>\$ 8,738</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, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 116,689
Cash payments for purchased services	(7,961)
Cash payments for claims.	<u>(116,022)</u>
 Net cash used in operating activities	 <u>(7,294)</u>
Cash flows from investing activities:	
Interest received.	<u>248</u>
 Net cash provided by investing activities	 <u>248</u>
 Net decrease in cash and cash equivalents	 (7,046)
 Cash in segregated accounts at beginning of year .	 <u>30,961</u>
Cash in segregated accounts at end of year	<u>\$ 23,915</u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (9,278)
 Changes in assets and liabilities:	
Increase in claims payable	<u>1,984</u>
 Net cash used in operating activities	 <u>\$ (7,294)</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, 2005

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 56,115
Receivables:	
Accounts	352
Total assets.	\$ 56,467
Liabilities:	
Undistributed monies.	\$ 14,117
Due to students	42,350
Total liabilities	\$ 56,467

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Struthers City School District (the "District") operates under a locally-elected five-member Board and provides educational services as authorized by State and federal agencies. The Board controls the District's five instructional support facilities staffed by 82 non-certificated and 142 certified full-time teaching personnel and 14 administrative employees who provide services to students and other community members.

The District is located in Struthers, Ohio, Mahoning County, including an area extending roughly five miles around the City. The enrollment for the District during the 2005 fiscal year was 2,020. The District operates three elementary schools (K-4), one middle school (5-8), and one high school (9-12).

On May 11, 2005, the District was declared to be in a state of "Fiscal Emergency" by the Auditor of State under Section 3316.03 B (5), Ohio Revised Code. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the District. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Mayor of Struthers. Once the plan is adopted, the Board of Education's discretion is limited in that all financial activity of the District must be in accordance with the plan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments

ACCESS is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based on a per pupil charge. The District contributed \$110,317 to ACCESS during fiscal year 2005. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting, and designating management. All of ACCESS revenues are generated from charges for services and State funding. 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 105, Youngstown, Ohio, 44512-7019.

Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The 5 members of the Governing Board of the Mahoning County Educational Service Center (the "ESC") are also members of the Governing Board of the Mahoning County Career and Technical Center, which includes 2 other members. The Governing Board of the ESC cannot directly impose their will on the Mahoning County Career and Technical Center.

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 2005, the District paid \$107,312 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.

SHARED RISK POOL

The Mahoning County 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 revenue is generated from charges for services. To obtain the financial information write to Mahoning County Insurance Consortium, 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The 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 District's major governmental funds:

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; (b) for food service operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental and vision benefits to employees.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and a college scholarship program.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 fund 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 District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the 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 6).

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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, 2005, but which were levied to finance fiscal year 2006 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 fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$30,081, which includes \$27,465 assigned from other funds.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District’s investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

All capital assets of the District are general capital assets. 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. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 99 years
Buildings and improvements	10 - 99 years
Furniture and equipment	5 - 10 years
Vehicles	10 years
Textbooks and library books	5 - 10 years

I. 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 on the Statement of Net Assets.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, capital acquisition, debt service, and school bus purchases.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund

N. Net Assets

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 17.

R. Interfund Activity

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

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ (3,207,802)	\$ 1,485,661	\$ 592,903	\$ (1,129,238)
GASB Technical Bulletin No. 2004-2	<u>(99,742)</u>	<u>-</u>	<u>(37,916)</u>	<u>(137,658)</u>
Restated Fund Balance, June 30, 2004	<u>\$ (3,307,544)</u>	<u>\$ 1,485,661</u>	<u>\$ 554,987</u>	<u>\$ (1,266,896)</u>

B. Prior Period Adjustment

Beginning net assets have been restated due to errors previously reported in capital assets.

Net assets June 30, 2004	\$25,828,904
Adjustment for capital assets	<u>(4,158,850)</u>
Net assets July 1, 2004	<u>\$21,670,054</u>

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Major Funds</u>	<u>Deficit</u>
General	\$ 1,801,038
 <u>Nonmajor Funds</u>	
Food Service Operations	6,142
Auxiliary Services	5,470
DPIA	89,940
Title I	97,593
Improving Teacher Quality	25,804

These funds complied with Ohio state law, except for food service operations, 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. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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 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 to 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 principal and interest by the United States;

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the District had \$3,500 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash in Segregated Accounts

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2005, was \$23,915. The District also had \$263 held by a fiscal agent for retainage payable as of June 30, 2005

**STRUTHERS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$2,830,446, exclusive of the \$64,094 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$2,583,235 of the District's bank balance of \$3,107,413 was exposed to custodial risk as discussed below, while \$524,178 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% 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.

D. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 64,094	\$ 64,094
STAR Ohio	4,394	4,394
	<u>\$ 68,488</u>	<u>\$ 68,488</u>

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

Credit Risk: The District's investments in STAR Ohio were assigned an AAAM money market rating by Standard and Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment company's counterparty, not in the name of the District.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 64,094	93.58%
STAR Ohio	<u>4,394</u>	<u>6.42%</u>
	<u>\$ 68,488</u>	<u>100.00%</u>

E. Reconciliation of Cash and Investment 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, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,830,446
Investments	68,488
Cash in segregated accounts	23,915
Cash with fiscal agent	263
Cash on hand	<u>3,500</u>
Total	<u>\$ 2,926,612</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,870,497
Agency funds	<u>56,115</u>
Total	<u>\$ 2,926,612</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General fund	\$ 5,000

Transfers are used to (1) 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 (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B.** Interfund balances for the year ended June 30, 2005, consisted of the following due to/from other funds, as reported on the fund financial statements:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$ 25,086	\$ -
<u>Nonmajor Governmental Funds:</u>		
Food Service	-	25,086
Total	<u>\$ 25,086</u>	<u>\$ 25,086</u>

The primary purpose of due to/from other funds is to cover a negative cash balance in a respective fund. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting in the statement of net assets. All amounts are to be repaid within one year.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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. There was no amount available as an advance to the District at June 30, 2005 and at June 30, 2004.

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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 115,921,780	87.84	\$ 117,251,780	87.20
Public Utility Personal	7,599,120	5.76	7,924,040	5.90
Tangible Personal Property	<u>8,446,894</u>	<u>6.40</u>	<u>9,265,496</u>	<u>6.90</u>
Total	<u>\$ 131,967,794</u>	<u>100.00</u>	<u>\$ 134,441,316</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:	\$ 60.90		\$ 65.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 5,233,182
Accounts	291
Accrued interest	31
Intergovernmental	<u>73,134</u>
Total	<u>\$ 5,306,638</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to errors previously reported. See Note 3.B for detail:

	Balance 06/30/04	<u>Adjustments</u>	Restated Balance 06/30/04
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 422,600	\$ -	\$ 422,600
Construction in progress	<u>1,879,014</u>	<u>-</u>	<u>1,879,014</u>
Total capital assets, not being depreciated	<u>2,301,614</u>	<u>-</u>	<u>2,301,614</u>
Capital assets, being depreciated:			
Land improvements	550,314	-	550,314
Building/improvements	30,495,347	-	30,495,347
Furniture/equipment	7,127,304	(6,354,132)	773,172
Vehicles	885,787	-	885,787
Textbooks and library books	<u>496,934</u>	<u>-</u>	<u>496,934</u>
Total capital assets, being depreciated	<u>39,555,686</u>	<u>(6,354,132)</u>	<u>33,201,554</u>
Less: accumulated depreciation			
Land improvements	(237,470)	-	(237,470)
Building/improvements	(4,053,045)	-	(4,053,045)
Furniture/equipment	(2,357,733)	2,195,282	(162,451)
Vehicles	(639,784)	-	(639,784)
Textbooks and library books	<u>(135,191)</u>	<u>-</u>	<u>(135,191)</u>
Total accumulated depreciation	<u>(7,423,223)</u>	<u>2,195,282</u>	<u>(5,227,941)</u>
Governmental activities capital assets, net	<u>\$ 34,434,077</u>	<u>\$(4,158,850)</u>	<u>\$ 30,275,227</u>

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS – (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 422,600	\$ -	\$ -	\$ 422,600
Construction in progress	<u>1,879,014</u>	<u>189,267</u>	<u>(2,068,281)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,301,614</u>	<u>189,267</u>	<u>(2,068,281)</u>	<u>422,600</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	550,314	-	-	550,314
Buildings and improvements	30,495,347	2,068,281	-	32,563,628
Furniture and equipment	773,172	-	-	773,172
Vehicles	885,787	-	-	885,787
Textbooks	<u>496,934</u>	<u>-</u>	<u>-</u>	<u>496,934</u>
Total capital assets, being depreciated	<u>33,201,554</u>	<u>2,068,281</u>	<u>-</u>	<u>35,269,835</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(237,470)	(17,768)	-	(255,238)
Buildings and improvements	(4,053,045)	(1,022,061)	-	(5,075,106)
Furniture and equipment	(162,451)	(53,744)	-	(216,195)
Vehicles	(639,784)	(43,589)	-	(683,373)
Textbooks	<u>(135,191)</u>	<u>(82,822)</u>	<u>-</u>	<u>(218,013)</u>
Total accumulated depreciation	<u>(5,227,941)</u>	<u>(1,219,984)</u>	<u>-</u>	<u>(6,447,925)</u>
Governmental activities capital assets, net	<u>\$ 30,275,227</u>	<u>\$ 1,037,564</u>	<u>\$ (2,068,281)</u>	<u>\$ 29,244,510</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,102,769
Vocational	1,600
<u>Support Services:</u>	
Instructional staff	54,299
Board of Education	3,770
Pupil transportation	43,589
Operation of non-instructional	500
Food service operations	<u>13,457</u>
Total depreciation expense	<u>\$ 1,219,984</u>

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal 2004, the District entered into capitalized leases for fitness equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$221,940. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$72,375 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 77,349
2007	<u>57,996</u>
Total minimum lease payments	135,345
Less amount representing interest	<u>(3,550)</u>
Total	<u>\$ 131,795</u>

NOTE 10 - NOTE DEBT

The District's note activity for the fiscal year ended June 30, 2005, is as follows:

	<u>Principal Outstanding June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2005</u>
General Fund				
State Operating Loan 5.10%	<u>\$ 468,708</u>	<u>\$ -</u>	<u>\$ (228,392)</u>	<u>\$ 240,316</u>

The State operating loan will be paid from the general fund with school foundation revenue. A liability for the notes is reflected in the general fund which received the proceeds.

Principal and interest payments to retire the State operating loan are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>State Operating Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2006	<u>\$ 240,316</u>	<u>\$ 6,647</u>
Total	<u>\$ 240,316</u>	<u>\$ 6,647</u>

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 – TAX ANTICIPATION NOTE

The tax anticipation note described below was issued in anticipation of tax revenue for the purpose of paying current expenses of the District and was retired through the general fund during fiscal 2005. These notes were backed by the full faith and credit of the District.

	Interest Rate	Issue Date	Maturity Date	Notes Outstanding 06/30/04	Issued	Retired	Notes Outstanding 06/30/05
Tax anticipation note	0.00%			\$ -	\$ 850,000	\$ (850,000)	\$ -

NOTE 12 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2004	Additions	Reductions	Balance Outstanding June 30, 2005	Amounts Due in One Year
Governmental Activities:					
General obligation bonds	\$ 6,146,336	\$ 84,381	\$ (379,616)	\$ 5,851,101	\$ 390,073
Energy conservation note	286,500	-	(22,800)	263,700	23,900
Capital lease obligation	204,170	-	(72,375)	131,795	74,494
State solvency loan	-	1,907,000	-	1,907,000	953,500
Compensated absences	1,263,861	113,949	(68,234)	1,309,576	157,972
Total long-term obligations, governmental activities	<u>\$ 7,900,867</u>	<u>\$ 2,105,330</u>	<u>\$ (543,025)</u>	<u>\$ 9,463,172</u>	<u>\$ 1,599,939</u>

On October 15, 2002, the District issued \$1,750,000 in general obligation bonds at interest rates varying 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 the fiscal year 2015 using the straight-line method. The District decreased its total debt service payments by \$475,713 as a result of the advance refunding. The District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$376,869.

On December 1, 1992, the District issued \$3,799,501 in voted general obligation bonds for renovation at the Struthers City Schools. The bonds were issued for a fourteen year period.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

On December 1, 2000, the 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.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 235,000
2017	250,000
2018	265,000
2019	275,000
2020	290,000
2021	310,000

The remaining principal amount of the term bonds \$(325,000) will mature at stated maturity on December 1, 2022.

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

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	101.00%
December 1, 2001 and thereafter	100.00 %

On December 1, 2001, the District issued \$46,000 in real estate acquisition bonds for the purpose of purchasing property in order to provide classroom expansion opportunities. The bonds were issued for a five year period.

The 1992 and 2000 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$84,381 represents the accretion of discounted interest. The final maturity of these bonds is \$1,930,000.

On December 21, 1998, the District issued \$373,600 in energy conservation notes for the purpose of replacing boilers and windows. The bonds were issued for a fifteen year period.

During fiscal year 2005, the District received a loan from the Ohio Department of Education for insolvency relief. The loan is interest free as long as the District remains current on repayment. This loan is a general obligation of the District for which the full faith and credit of the District are pledged for repayment. Payments will be recorded as expenditures of the debt service fund, from current operating revenue.

The school improvement bonds will be paid from the bond retirement debt service fund. Compensated absences will be paid from the general and food service, auxiliary services, disadvantaged pupil impact aid, Title VI-B, Title I, improving teacher quality and miscellaneous federal grants special revenue funds.

**STRUTHERS CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

- B.** The following is a summary of the District's future annual debt service requirements to maturity for general obligation and energy conservation notes:

Fiscal Year Ending June 30	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 200,073	\$ 224,937	\$ 425,010	\$ 190,000	\$ -	\$ 190,000
2007	195,000	215,865	410,865	185,000	-	185,000
2008	380,000	203,917	583,917	-	-	-
2009	395,000	188,349	583,349	-	-	-
2010	410,000	171,538	581,538	-	-	-
2011 - 2015	1,325,000	229,693	1,554,693	940,000	-	940,000
2016 - 2020	1,025,000	319,961	1,344,961	-	-	-
2021 - 2023	925,000	78,238	1,003,238	-	-	-
Total	\$ 4,855,073	\$ 1,632,498	\$ 6,487,571	\$ 1,315,000	\$ -	\$ 1,315,000

Fiscal Year Ending June 30	Energy Conservation Note					
	Energy Conservation Note			Solvency Loan		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 23,900	\$ 13,106	\$ 37,006	\$ 953,500	\$ -	\$ 953,500
2007	25,100	11,918	37,018	953,500	-	953,500
2008	26,400	10,671	37,071	-	-	-
2009	27,700	9,359	37,059	-	-	-
2010	29,100	7,982	37,082	-	-	-
2011 - 2014	131,500	16,744	148,244	-	-	-
Total	\$ 263,700	\$ 69,780	\$ 333,480	\$ 1,907,000	\$ -	\$ 1,907,000

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$7,915,017 and an unvoted debt margin of \$134,441.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The 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 2005, the District contracted with Indiana Insurance Company property insurance with a \$1,000 deductible. Professional liability is protected by the Indiana Insurance Company with a \$3,000,000 aggregate limit.

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

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

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

B. Employee Health Benefits

The District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Struthers City School District pays a monthly contribution which is placed in a common fund from which claims 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 District pays medical/surgical premiums of \$915.20 for family coverage and \$373.23 for single coverage per employee per month.

The District has elected to provide vision and dental benefits through a self-insurance program. The 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, review all claims which are then paid by the District. The District pays into the insurance reserve internal service fund \$8.00 for family vision coverage or \$3.50 for single vision 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.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - RISK MANAGEMENT - (Continued)

The claims liability of \$15,177 reported in the internal service fund at June 30, 2005, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2005	\$ 13,193	\$ 118,006	\$ (116,022)	\$ 15,177
2004	11,657	106,919	(105,383)	13,193

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board. The adequacy of the contribution rates is determined annually. The District’s required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$181,399, \$183,869, and \$151,655, respectively; 47.38% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$95,461, represents the unpaid contribution for fiscal year 2005.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS website at www.strsohio.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,063,698, \$1,037,464, and \$695,571, respectively; 83,70% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$173,335 represents the unpaid contribution for fiscal year 2005. Contributions to the DC and Combined Plans for fiscal 2005 were \$456 made by the District and \$6,921 made by plan members.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$81,823 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$98,011 during the 2005 fiscal year.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 1,151,954
Net adjustment for revenue accruals	1,151,022
Net adjustment for expenditure accruals	(54,805)
Net adjustment for other sources/uses	(894,498)
Adjustment for encumbrances	152,833
GAAP basis	\$ 1,506,506

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 18 - STATUTORY RESERVES

The District is required by state statute to 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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (438,159)	\$ -
Current year set-aside requirement	287,911	287,911
Current year offsets	-	(58,446)
Qualifying expenditures	<u>(278,388)</u>	<u>(79,389)</u>
Total	<u>\$ (428,636)</u>	<u>\$ 150,076</u>
Balance carried forward to FY 2006	<u>\$ (428,636)</u>	<u>\$ 150,076</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbooks set-aside amount below zero. The negative set-aside balance for the textbooks may be used to reduce the set-aside requirement of future years.

In addition to the above statutory reserves, the District also has fund balance reserved for school bus purchases.

Amount reserved for capital maintenance	\$ 150,076
Amount reserved for school bus purchases	<u>11,051</u>
Total reserved fund balance	<u>\$ 161,127</u>

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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation		10.550	-	62,845	-	62,845
School Breakfast Program		10.553	62,829	-	62,829	-
National School Lunch Program		10.555	349,031	-	349,031	-
Total Department of Agriculture - Nutrition Cluster			411,860	62,845	411,860	62,845
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-03	84.010	0	-	451	-
Title I Grants to Local Educational Agencies	C1-S1-04	84.010	2,000	-	12,444	-
Title I Grants to Local Educational Agencies	C1-S1-05	84.010	487,754	-	479,206	-
Total			489,754	-	492,101	-
Special Education Cluster:						
Special Education Grants to States - Literacy Interg.	6B-SF-03	84.027	0	-	103	-
Special Education Grants to States - Autism	6B-SF-04	84.027	0	-	17,045	-
Special Education Grants to States - Access	6B-SD-04	84.027	4,138	-	34,279	-
Special Education Grants to States	6B-SF-04	84.027	11,999	-	-7,601	-
Special Education Grants to States - Access	6B-SD-05	84.027	33,000	-	17,027	-
Special Education Grants to States - Pos. Beh	6B-PB-05	84.027	25,000	-	6,090	-
Special Education Grants to States	6B-SF-05P	84.027	418,604	-	356,977	-
Total - Special Education Cluster			492,741	-	423,920	-
Safe and Drug Free Schools and Communities						
	DR-S1-04	84.186	0	-	800	-
	DR-S1-05	84.186	13,294	-	6,900	-
Total			13,294	-	7,700	-
Goals 2000 Continuous Improvement	G2-S4-01	84.276	0	-	42	-
State Grants for Innovative Programs	C2-S1-04	84.298	0	-	1,005	-
State Grants for Innovative Programs	C2-S1-05	84.298	9,651	-	9,558	-
Total			9,651	-	10,563	-
Education Technology State Grant	TJ-S1-05	84.318	16,008	-	16,008	-
Advanced Placement Program	AV-TF-05	84.330	416	-	416	-
Improving Teacher Quality	TR-S1-04	84.367	0	-	69	-
Improving Teacher Quality	TR-S1-05	84.367	133,190	-	132,413	-
Total			133,190	-	132,482	-
Total Department of Education			1,155,054	-	1,083,232	-
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>passed through Ohio Department of MRDD</i>						
State Children's Insurance Program		93.767	3,880	-	0	-
Medical Assistance Program		93.778	47,731	-	4,908	-
Total Department of Health and Human Services			51,611	-	4,908	-
Totals			\$1,618,525	\$62,845	\$1,500,000	\$62,845

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
JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Auditor of State Betty Montgomery

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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated January 5, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated January 5, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

January 5, 2007



Auditor of State Betty Montgomery

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

Struthers City School District
Mahoning County
99 Euclid Avenue
Struthers, Ohio 44471

To the Board of Education:

Compliance

We have audited the compliance of Struthers City School District, Mahoning County (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

January 5, 2007

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA #10.550, 10.553, 10.555 Title I – CFDA #84.010
(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

NONE

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code 5705.36(A)(4) estimated receipts exceeded actual receipts in the Food Service Fund	No	Partially corrected, appears in the management letter
2004-002	Ohio Revised Code Section 5705.10, several funds had negative fund balances throughout the year and the General Fund had a negative fund balance at year end	No	Partially corrected, appears in management letter
2004-003	7 Code of Federal Regulations 245.6a, verifications were not performed for free and reduced lunch applications as required by the grant agreement	Yes	Corrected



Mary Taylor, CPA
Auditor of State

STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2007