



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

April 12, 2011

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

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DAVE YOST  
Auditor of State

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**STRUTHERS CITY SCHOOL DISTRICT  
MAHONING COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

We conducted our audit in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Mary Taylor, CPA**  
Auditor of State

October 30, 2010

**Struthers City School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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This discussion and analysis of Struthers City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets increased by \$262,918, which represents a 1.0 percent increase from fiscal year 2008.
- Revenues for governmental activities totaled \$20,191,650 in fiscal year 2009. Of this total, 77.9 percent consisted of general revenues while program revenues accounted for the balance of 22.1 percent.
- Program expenses totaled \$19,928,732. Instructional expenses made up 66.3 percent of this total while support services accounted for 25.1 percent. Other expenses rounded out the remaining 8.6 percent.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$16,174,700 in revenues and \$15,756,793 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$412,907 from \$2,343,522 to \$2,756,429.
- The District's other major governmental fund is the bond retirement fund. The bond retirement fund had \$526,033 in revenues and \$635,996 in expenditures. During fiscal year 2009, the bond retirement fund balance decreased \$109,963 from \$1,581,720 to \$1,471,757.

**Using this Annual Financial Report**

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

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

**Struthers City School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

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

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

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

**Struthers City School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
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**Fiduciary Funds** The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

**Table 1**  
Net Assets  
Governmental Activities

	2009	2008	Change
<b>Assets</b>			
Current and Other Assets	\$12,763,009	\$12,667,973	\$95,036
Capital Assets, Net of Depreciation	26,054,405	26,075,934	(21,529)
<i>Total Assets</i>	<u>38,817,414</u>	<u>38,743,907</u>	<u>73,507</u>
<b>Liabilities</b>			
Current Liabilities	7,047,127	7,358,324	(311,197)
Long-Term Liabilities			
Due within One Year	592,411	624,326	(31,915)
Due in More than One Year	5,584,943	5,431,242	153,701
<i>Total Liabilities</i>	<u>13,224,481</u>	<u>13,413,892</u>	<u>(189,411)</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	21,783,472	21,338,004	445,468
Restricted	1,885,853	2,123,031	(237,178)
Unrestricted	1,923,608	1,868,980	54,628
<i>Total Net Assets</i>	<u>\$25,592,933</u>	<u>\$25,330,015</u>	<u>\$262,918</u>

Total assets increased by \$73,507. The majority of this increase can be attributed to a slight increase in cash and cash equivalents, due to an overall approach by the School District to cut expenses.

Total liabilities decreased by \$189,411. The majority of this decrease was due to a reduction in principal owed on long-term debt and short-term notes payable.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$262,918.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$15,727,725 or 77.9 percent of the total revenue. The most significant portion of general revenue is grants and entitlements. The remaining amount of revenue received was in the form of program revenues, which equaled \$4,463,925 or 22.1 percent of total revenue.

**Struthers City School District**  
Mahoning County, Ohio

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Table 2 shows the changes in net assets for fiscal year 2009 as compared to fiscal year 2008.

**Table 2**  
Change in Net Assets  
Governmental Activities

	2009	2008	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,550,983	\$1,444,610	\$106,373
Operating Grants and Contributions	2,893,250	2,662,953	230,297
Capital Grants and Contributions	19,692	12,676	7,016
<i>Total Program Revenues</i>	<u>4,463,925</u>	<u>4,120,239</u>	<u>343,686</u>
<b>General Revenues</b>			
Property Taxes	4,986,772	5,168,484	(181,712)
Intergovernmental	10,611,882	10,732,732	(120,850)
Investment Earnings	57,462	70,849	(13,387)
Miscellaneous	71,609	63,553	8,056
Gain on Sale of Capital Assets	0	300	(300)
<i>Total General Revenues</i>	<u>15,727,725</u>	<u>16,035,918</u>	<u>(308,193)</u>
<i>Total Revenues</i>	<u>20,191,650</u>	<u>20,156,157</u>	<u>35,493</u>
<b>Program Expenses</b>			
Current:			
Instruction	13,211,806	12,117,807	1,093,999
Support Services:			
Pupils	647,753	368,500	279,253
Instructional Staff	157,267	105,713	51,554
Board of Education	62,331	82,419	(20,088)
Administration	1,153,558	1,087,107	66,451
Fiscal	442,233	366,891	75,342
Business	41,664	47,898	(6,234)
Operation and Maintenance of Plant	2,000,773	1,679,212	321,561
Pupil Transportation	459,190	462,802	(3,612)
Central	43,987	43,237	750
Operation of Non-Instructional Services	117,598	159,838	(42,240)
Operation of Food Services	851,254	626,935	224,319
Extracurricular Activities	475,971	408,654	67,317
Interest and Fiscal Charges	263,347	277,780	(14,433)
<i>Total Program Expenses</i>	<u>19,928,732</u>	<u>17,834,793</u>	<u>2,093,939</u>
<i>Change in Net Assets</i>	262,918	2,321,364	(2,058,446)
Net Assets Beginning of Year	<u>25,330,015</u>	<u>23,008,651</u>	<u>2,321,364</u>
<i>Net Assets End of Year</i>	<u><u>\$25,592,933</u></u>	<u><u>\$25,330,015</u></u>	<u><u>\$262,918</u></u>

**Struthers City School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**Governmental Activities**

Net assets of the District's governmental activities increased \$262,918. Total governmental expenses of \$19,928,732 were offset by program revenues of \$4,463,925 and general revenues of \$15,727,725. Program revenues supported 22.4 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 77.3 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$13,211,806 or 66.3 percent of total governmental expenses for fiscal year 2009.

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

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$9,441,652	\$8,097,964	\$8,576,045	\$7,409,773
Special	2,446,760	1,552,613	2,234,473	1,251,574
Vocational	426,975	394,731	487,540	450,168
Other	896,419	524,435	819,749	488,758
Support Services:				
Pupils	647,753	590,159	368,500	281,855
Instructional Staff	157,267	148,626	105,713	77,853
Board of Education	62,331	57,981	82,419	71,111
Administration	1,153,558	998,092	1,087,107	950,121
Fiscal	442,233	410,212	366,891	329,011
Business	41,664	38,476	47,898	44,254
Operation and Maintenance of Plant	2,000,773	1,757,693	1,679,212	1,568,485
Pupil Transportation	459,190	397,277	462,802	414,451
Central	43,987	26,440	43,237	33,452
Operation of Non-Instructional Services	117,598	18,076	159,838	38,671
Food Service Operation	851,254	(36,300)	626,935	(136,275)
Extracurricular Activities	475,971	224,985	408,654	163,512
Interest and Fiscal Charges	263,347	263,347	277,780	277,780
<b>Total Expenditures</b>	<b>\$19,928,732</b>	<b>\$15,464,807</b>	<b>\$17,834,793</b>	<b>\$13,714,554</b>

The dependence upon property taxes and other general revenues for governmental activities is apparent. 100 percent of instruction activities are supported through property taxes and other general revenues. For all governmental activities, general revenue support is 78.9 percent. The District's taxpayers, as a whole, are by far the primary support for the District's students.

**Struthers City School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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**The School District's Funds**

Information regarding the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,156,050 to offset expenditures of \$19,873,201. The net change in fund balance for the year was most significant in the general fund, which increased \$412,907. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 66 percent and 24 percent respectively, of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Struthers City School District.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2009, the School District did not amend its general fund budget. For the general fund, original and final budgeted revenues were \$17,118,596. Actual revenues for fiscal year 2009 were \$16,174,915. This represents a \$943,681 decrease from original and final budgeted revenues.

General fund original appropriations of \$16,936,845 were changed to \$17,676,845 in the final appropriations. The actual budget basis expenditures for fiscal year 2009 totaled \$17,150,124, which were \$526,721 less than final budgeted appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the School District had \$26,054,405 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

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

	2009	2008
Land	\$422,600	\$422,600
Construction in Progress	0	209,270
Land Improvements	223,653	241,775
Buildings and Improvements	24,864,667	24,585,511
Furniture and Equipment	357,999	405,283
Vehicles	139,316	128,673
Textbooks	46,170	82,822
<i>Total</i>	<u>\$26,054,405</u>	<u>\$26,075,934</u>

**Struthers City School District**

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

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All capital assets, except land, are reported net of depreciation. The overall decrease in capital assets of \$21,529 is due to capital outlays of \$1,184,733 being less than current year depreciation of \$1,206,262 during the fiscal year. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

**Debt**

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

**Table 5**  
Outstanding Debt at Year End

	<u>2009</u>	<u>2008</u>
General Obligation Bonds	\$4,575,182	\$4,912,620
Energy Conservation Notes	<u>160,600</u>	<u>188,300</u>
<i>Total</i>	<u><u>\$4,735,782</u></u>	<u><u>\$5,100,920</u></u>

At June 30, 2009, the District had \$4,575,182 in general obligation bonds and \$160,600 in energy conservation notes outstanding. Of this total, \$439,100 is due within one year and the rest is due in more than one year. For more information about the School District's debt, see Note 15 to the basic financial statements.

**Current Financial Issues**

Struthers City School District has a weak financial outlook due to its dependence upon grants and State entitlements coupled with an over reliance on taxes for the District coming from local residents as well as business and industry amounting to 77 percent. One can see the significant impact of any external market changes would have on the District, and ultimately, the residential taxpayers. The Struthers City School District has not anticipated any meaningful growth in State revenue due to the concern the State may require the redistribution of commercial and industrial property taxes.

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

The District was placed in fiscal emergency on May 11, 2005 by the Auditor of State of Ohio and on May 16, 2005 a Financial Planning and Supervision Commission was established. As an outgrowth of the District's adopted recovery plan, the District embarked upon a series of expenditure reductions in which excess available funds were utilized to accelerate debt service repayments.

**Struthers City School District**

Mahoning County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited*

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

<b><u>Fiscal Year</u></b>	<b><u>Expense Per Pupil</u></b>	<b><u>Amount of Change</u></b>	<b><u>Percentage of Change</u></b>
2009	\$7,225	(\$301)	(4%)
2008	\$7,526	(\$88)	(1%)
2007	\$7,614	(\$578)	(7%)
2006	\$8,192	Base	Base

In addition, the District was able to pass a 5 year 6.9 mill general operating levy in May of 2006, which secured for the District a positive five year cash flow forecast for the general fund and stability for its educational programs. Thanks to the efforts of the School District and the Financial Planning and Supervision Commission, the District was released from its fiscal emergency status on November 27, 2007.

**Contacting the School District's Financial Management**

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

**Struthers City School District**

Mahoning County, Ohio

*Statement of Net Assets*

*June 30, 2009*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,464,119
Intergovernmental Receivable	48,805
Property Taxes Receivable	5,196,297
Inventory Held for Resale	15,919
Materials and Supplies Inventory	3,795
Unamortized Bond Issuance Costs	34,074
Nondepreciable Capital Assets	422,600
Depreciable Capital Assets, Net	25,631,805
<i>Total Assets</i>	<u>38,817,414</u>
<b>Liabilities</b>	
Accounts Payable	110,279
Accrued Wages and Benefits Payable	1,577,552
Intergovernmental Payable	522,254
Matured Compensated Absences Payable	23,221
Deferred Revenue	4,783,612
Accrued Interest Payable	19,684
Claims Payable	10,525
Long-Term Liabilities:	
Due Within One Year	592,411
Due In More Than One Year	5,584,943
<i>Total Liabilities</i>	<u>13,224,481</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	21,783,472
Restricted for:	
Capital Projects	6,908
Debt Service	1,067,916
Other Purposes	802,905
Set-asides	8,124
Unrestricted	1,923,608
<i>Total Net Assets</i>	<u>\$25,592,933</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, 2009*

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$9,441,652	\$594,422	\$749,266	\$0	(\$8,097,964)
Special	2,446,760	120,175	773,972	0	(1,552,613)
Vocational	426,975	32,244	0	0	(394,731)
Other	896,419	55,236	316,748	0	(524,435)
Support Services:					
Pupils	647,753	48,100	9,494	0	(590,159)
Instructional Staff	157,267	7,915	726	0	(148,626)
Board of Education	62,331	4,350	0	0	(57,981)
Administration	1,153,558	82,167	73,299	0	(998,092)
Fiscal	442,233	32,021	0	0	(410,212)
Business	41,664	3,188	0	0	(38,476)
Operation and Maintenance of Plant	2,000,773	128,442	114,638	0	(1,757,693)
Pupil Transportation	459,190	29,636	12,585	19,692	(397,277)
Central	43,987	2,354	15,193	0	(26,440)
Operation of Non-Instructional Services	117,598	362	99,160	0	(18,076)
Operation of Food Services	851,254	198,316	689,238	0	36,300
Extracurricular Activities	475,971	212,055	38,931	0	(224,985)
Interest and Fiscal Charges	263,347	0	0	0	(263,347)
<i>Total Governmental Activities</i>	<u>\$19,928,732</u>	<u>\$1,550,983</u>	<u>\$2,893,250</u>	<u>\$19,692</u>	<u>(15,464,807)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					4,443,603
					482,097
					61,072
					10,611,882
					57,462
					71,609
					<u>15,727,725</u>
					262,918
					25,330,015
					<u>\$25,592,933</u>

See accompanying notes to the basic financial statements

**Struthers City School District**  
Mahoning County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$4,215,082	\$1,471,757	\$1,655,285	\$7,342,124
Interfund Receivable	400,030	0	0	400,030
Intergovernmental Receivable	0	0	48,805	48,805
Property Taxes Receivable	4,679,980	460,710	55,607	5,196,297
Inventory Held for Resale	0	0	15,919	15,919
Materials and Supplies Inventory	0	0	3,795	3,795
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	8,124	0	0	8,124
<i>Total Assets</i>	<u>\$9,303,216</u>	<u>\$1,932,467</u>	<u>\$1,779,411</u>	<u>\$13,015,094</u>
<b>Liabilities</b>				
Accounts Payable	\$72,250	\$0	\$38,029	\$110,279
Accrued Wages and Benefits Payable	1,358,421	0	219,131	1,577,552
Intergovernmental Payable	415,666	0	106,588	522,254
Matured Compensated Absences Payable	20,470	0	2,751	23,221
Interfund Payable	0	0	400,030	400,030
Deferred Revenue	4,679,980	460,710	101,848	5,242,538
<i>Total Liabilities</i>	<u>6,546,787</u>	<u>460,710</u>	<u>868,377</u>	<u>7,875,874</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	1,103,095	5,000	671,670	1,779,765
Reserved for Bus Purchases	8,124	0	0	8,124
Unreserved:				
Undesignated, Reported in:				
General Fund	1,645,210	0	0	1,645,210
Special Revenue Funds	0	0	502,316	502,316
Debt Service Funds	0	1,466,757	0	1,466,757
Capital Projects Funds	0	0	(262,952)	(262,952)
<i>Total Fund Balances</i>	<u>2,756,429</u>	<u>1,471,757</u>	<u>911,034</u>	<u>5,139,220</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,303,216</u>	<u>\$1,932,467</u>	<u>\$1,779,411</u>	<u>\$13,015,094</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, 2009*

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<b>Total Governmental Fund Balances</b>	<b>\$5,139,220</b>
<b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,054,405
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	412,685
Intergovernmental Revenue	<u>46,241</u>
Total	458,926
An internal service fund is used by management to charge the costs of dental and vision insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	103,346
In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	34,074
Unamortized deferred amounts on advanced refunding are not recognized in the funds.	15,690
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(19,684)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(4,160,097)
Accretion on Capital Appreciation Bond	(415,085)
Energy Conservation Note	(160,600)
Compensated Absences	(1,451,262)
Early Retirement Incentive	<u>(6,000)</u>
Total	<u>(6,193,044)</u>
<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$25,592,933</u></u></b>

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, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$4,406,194	\$478,332	\$60,621	\$4,945,147
Tuition and Fees	1,115,064	0	22,739	1,137,803
Interest	57,462	0	0	57,462
Charges for Services	0	0	198,316	198,316
Extracurricular Activities	0	0	196,347	196,347
Rentals	18,517	0	0	18,517
Contributions and Donations	500	0	61,636	62,136
Intergovernmental	10,517,397	47,701	2,903,615	13,468,713
Miscellaneous	59,566	0	12,043	71,609
<i>Total Revenues</i>	<u>16,174,700</u>	<u>526,033</u>	<u>3,455,317</u>	<u>20,156,050</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,164,443	0	759,604	7,924,047
Special	1,590,335	0	848,665	2,439,000
Vocational	460,381	0	0	460,381
Other	662,314	0	231,486	893,800
Support Services:				
Pupils	625,967	0	13,828	639,795
Instructional Staff	117,040	0	17,131	134,171
Board of Education	57,728	0	758	58,486
Administration	1,022,630	1,233	71,451	1,095,314
Fiscal	450,298	14,203	3,065	467,566
Business	43,048	0	0	43,048
Operation and Maintenance of Plant	1,702,068	0	292,224	1,994,292
Pupil Transportation	393,052	0	12,087	405,139
Central	31,246	0	12,741	43,987
Operation of Non-Instructional Services	4,807	0	111,329	116,136
Operation of Food Services	0	0	826,199	826,199
Extracurricular Activities	214,467	0	257,719	472,186
Capital Outlay	1,162,608	0	22,125	1,184,733
Debt Service:				
Principal Retirement	53,483	422,700	0	476,183
Interest and Fiscal Charges	878	197,860	0	198,738
<i>Total Expenditures</i>	<u>15,756,793</u>	<u>635,996</u>	<u>3,480,412</u>	<u>19,873,201</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>417,907</u>	<u>(109,963)</u>	<u>(25,095)</u>	<u>282,849</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	5,000	5,000
Transfers Out	(5,000)	0	0	(5,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	412,907	(109,963)	(20,095)	282,849
<i>Fund Balances Beginning of Year</i>	2,343,522	1,581,720	931,129	4,856,371
<i>Fund Balances End of Year</i>	<u>\$2,756,429</u>	<u>\$1,471,757</u>	<u>\$911,034</u>	<u>\$5,139,220</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, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** \$282,849

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	1,184,733
Current Year Depreciation	(1,206,262)

Total (21,529)

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

Property Taxes	41,625
Intergovernmental Revenue	(6,025)

Total 35,600

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

476,183

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

Accrued Interest on Bonds	2,139
Accreted Interest on Bonds	(57,562)
Amortization of Gain/Loss on Advance Refunding	(2,896)
Amortization of Bond Issuance Costs	(6,290)

Total (64,609)

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

Compensated Absences (537,511)

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

91,935

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*Change in Net Assets of Governmental Activities* \$262,918

See accompanying notes to the basic financial statements

**Struthers City School District**  
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$5,022,239	\$5,022,239	\$4,406,194	(\$616,045)
Tuition and Fees	1,055,411	1,055,411	1,115,064	59,653
Interest	72,100	72,100	57,677	(14,423)
Rentals	28,370	28,370	18,517	(9,853)
Contributions and Donations	8,362	8,362	500	(7,862)
Intergovernmental	10,678,114	10,678,114	10,517,397	(160,717)
Miscellaneous	254,000	254,000	59,566	(194,434)
<i>Total Revenues</i>	<u>17,118,596</u>	<u>17,118,596</u>	<u>16,174,915</u>	<u>(943,681)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,940,969	7,940,969	7,253,760	687,209
Special	1,461,975	1,461,975	1,601,801	(139,826)
Vocational	544,314	544,314	487,609	56,705
Other	993,701	993,701	668,813	324,888
Support Services:				
Pupils	696,438	696,438	631,427	65,011
Instructional Staff	112,389	112,389	118,640	(6,251)
Board of Education	79,700	79,700	56,848	22,852
Administration	1,104,922	1,104,922	1,057,861	47,061
Fiscal	473,908	473,908	506,380	(32,472)
Business	58,476	58,476	44,802	13,674
Operation and Maintenance of Plant	1,764,550	1,764,550	1,939,856	(175,306)
Pupil Transportation	440,453	440,453	462,504	(22,051)
Central	35,077	35,077	31,725	3,352
Operation of Non-Instructional Services	5,043	5,043	15,791	(10,748)
Extracurricular Activities	312,807	312,807	214,276	98,531
Capital Outlay	848,237	1,188,237	1,598,670	(410,433)
Debt Service:				
Principal Retirement	58,886	58,886	53,483	5,403
Interest and Fiscal Charges	0	0	878	(878)
<i>Total Expenditures</i>	<u>16,931,845</u>	<u>17,271,845</u>	<u>16,745,124</u>	<u>526,721</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>186,751</u>	<u>(153,249)</u>	<u>(570,209)</u>	<u>(416,960)</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	0	(400,000)	(400,000)	0
Transfers Out	(5,000)	(5,000)	(5,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(5,000)</u>	<u>(405,000)</u>	<u>(405,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>181,751</u>	<u>(558,249)</u>	<u>(975,209)</u>	<u>(416,960)</u>
<i>Fund Balance Beginning of Year</i>	<u>2,871,139</u>	<u>2,871,139</u>	<u>2,871,139</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>1,154,672</u>	<u>1,154,672</u>	<u>1,154,672</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$4,207,562</u>	<u>\$3,467,562</u>	<u>\$3,050,602</u>	<u>(\$416,960)</u>

See accompanying notes to the basic financial statements

**Struthers City School District**

Mahoning County, Ohio

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2009*

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	<u>Internal Service</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$113,871
<b>Current Liabilities</b>	
Claims Payable	<u>10,525</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$103,346</u></u>

See accompanying notes to the basic financial statements

**Struthers City School District**

Mahoning County, Ohio

*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2009*

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	<u>Internal Service</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$116,343</u>
<b>Operating Expenses</b>	
Claims	21,634
Other	2,774
<i>Total Operating Expenses</i>	<u>24,408</u>
<i>Change in Net Assets</i>	91,935
<i>Net Assets Beginning of Year</i>	<u>11,411</u>
<i>Net Assets End of Year</i>	<u><u>\$103,346</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, 2009*

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	<u>Internal Service</u>
<b><i>Increase in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Charges for Services	\$116,343
Cash Payments for Claims	(25,188)
Cash Payments for Other Expenses	<u>(2,774)</u>
<i>Net Cash Provided by Operating Activities</i>	88,381
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>25,490</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$113,871</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$91,935
Adjustments:	
Decrease in Claims Payable	<u>(3,554)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$88,381</u></u>
See accompanying notes to the basic financial statements	

**Struthers City School District**  
Mahoning County, Ohio

*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$65,361</u>
<b>Liabilities</b>	
Undistributed Monies	\$16,154
Due to Students	<u>49,207</u>
<i>Total Liabilities</i>	<u>\$65,361</u>

See accompanying notes to the basic financial statements

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**Struthers City School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District is located in Struthers, Ohio, Mahoning County, including an area extending roughly five miles around the City. The enrollment for the School District during the 2009 fiscal year was 2,110. The School District operates three elementary schools (K-4), one middle school (5-8), and one high school (9-12).

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The Struthers City School District does not have any component units.

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

**Note 2 - Summary of Significant Accounting Policies**

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

**Struthers City School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

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

**Struthers City School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

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

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

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for dental and vision benefits of the School District's employees.

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

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

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

**Struthers City School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**Struthers City School District**  
Mahoning County, Ohio

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**E. Budgetary Data**

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

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

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

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2009, investments were limited to certificates of deposit and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$57,462, which includes \$5,051 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**G. Inventory**

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

**Struthers City School District**  
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**H. Restricted Assets**

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

**I. Capital Assets**

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

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

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

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

**J. Compensated Absences**

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

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

**Struthers City School District**  
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***K. Accrued Liabilities and Long-term Obligations***

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

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

***L. Fund Balance Reserves and Designations***

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

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$1,885,853, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

***N. Operating Revenues and Expenses***

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

***O. Extraordinary and Special Items***

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

**Struthers City School District**  
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**P. Estimates**

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

**Note 3 – Changes in Accounting Principle**

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”, Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” and Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amount \$53,538 and \$40,213, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of GASB Statement No. 49 did not result in any changes to the District’s financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of GASB Statement No. 51 did not result in any changes to the District’s financial statements.

GASB Statement No. 52 establishes consistent standards for the accounting and financial reporting of land and other real estate held as investments by endowments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of GASB Statement No. 52 did not result in any changes to the District’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board’s authoritative literature. The “GAAP hierarchy” consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of GASB Statement No. 55 did not result in any changes to the District’s financial statements.

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GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles, related party transactions, going concern considerations, and subsequent events. The implementation of GASB Statement No. 56 did not result in any changes to the District's financial statements.

**Note 4 – Accountability and Compliance**

***A. Accountability***

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Auxiliary Services	\$8,492
Disadvantaged Pupil Impact Aid	30
Poverty Aid	94,332
Title VI-B	6,235
Title I	57,201
Improving Teacher Quality	22,095

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

***B. Compliance***

The Disadvantaged Pupil Impact Aid special revenue fund had a negative cash balance of \$30 at June 30, 2009, indicating that revenues from other sources were used to pay obligations of this fund, contrary to Ohio Revised Code Section 5705.10. Management has indicated that all cash balances will be closely monitored to ensure no future violations. The District was also not in compliance with Ohio Revised Code Section 5705.10H as well as several Codes of Federal Regulations (CFR).

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).

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3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
  4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

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

Net Change in Fund Balance	
GAAP Basis	\$412,907
Net Adjustment for Revenue Accruals	215
Advances Out	(400,000)
Net Adjustment for Expenditure Accruals	184,303
Adjustment for Encumbrances	<u>(1,172,634)</u>
Budget Basis	<u><u>(\$975,209)</u></u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;

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

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

**A. Cash on Hand**

At fiscal year-end, the School District had \$3,300 in un-deposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$5,509,417. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2009, \$4,489,050 of the District's bank balance of \$5,602,300 was exposed to custodial risk as discussed below, while \$1,113,250 was covered by Federal Deposit Insurance Corporation.

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

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**C. Investments**

As of June 30, 2009, the School District had the following investments and maturities:

Investment Type	Fair Value	Maturity
STAROhio	\$2,016,763	6 Months or Less

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

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

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

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The School District's investment in STAROhio represents 100 percent of the School District's total investments.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$5,509,417
Investments	2,016,763
Cash on hand	3,300
Total	\$7,529,480
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$7,464,119
Agency funds	65,361
Total	\$7,529,480

**Note 7 - 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.

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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 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the District at June 30, 2009.

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.

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

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$139,465,590	94.32 %	\$139,588,700	95.80 %
Public Utility Personal	2,772,606	1.88	5,621,340	3.86
Tangible Personal Property	5,626,700	3.80	499,847	0.34
Total	\$147,864,896	100.00 %	\$145,709,887	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$70.80		 \$64.70	

**Note 8 - Receivables**

Receivables at June 30, 2009, consisted of taxes, accounts (rent, student fees and tuition), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<i>Non-major Governmental Funds:</i>	
IDEA Part B Grant	\$46,241
Food Service	2,564
Total Intergovernmental Receivable	\$48,805

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**Note 9 - Capital Assets**

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

	Balance 6/30/08	Additions	Reductions	Balance 6/30/09
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$422,600	\$0	\$0	\$422,600
Construction in progress	209,270	1,184,733	(1,394,003)	0
<b>Total capital assets not being depreciated</b>	<b>631,870</b>	<b>1,184,733</b>	<b>(1,394,003)</b>	<b>422,600</b>
Capital assets being depreciated				
Land improvements	550,314	0	0	550,314
Buildings and improvements	32,743,008	1,394,003	0	34,137,011
Furniture, fixtures and equipment	773,172	0	(2,527)	770,645
Vehicles	922,378	0	(12,423)	909,955
Textbooks and Library Books	496,934	0	0	496,934
<b>Total capital assets being depreciated</b>	<b>35,485,806</b>	<b>1,394,003</b>	<b>(14,950)</b>	<b>36,864,859</b>
Accumulated depreciation				
Land improvements	(308,539)	(18,122)	0	(326,661)
Buildings and improvements	(8,228,462)	(1,043,882)	0	(9,272,344)
Furniture, fixtures and equipment	(367,889)	(47,284)	2,527	(412,646)
Vehicles	(722,740)	(60,322)	12,423	(770,639)
Textbooks and Library Books	(414,112)	(36,652)	0	(450,764)
<b>Total accumulated depreciation</b>	<b>(10,041,742)</b>	<b>(1,206,262) *</b>	<b>14,950</b>	<b>(11,233,054)</b>
<b>Capital assets being depreciated, net</b>	<b>25,444,064</b>	<b>187,741</b>	<b>0</b>	<b>25,631,805</b>
<b>Governmental activities capital assets, net</b>	<b>\$26,075,934</b>	<b>\$1,372,474</b>	<b>(\$1,394,003)</b>	<b>\$26,054,405</b>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,084,684
Vocational	1,632
Support Services:	
Instructional Staff	35,737
Board of Education	3,845
Operation and Maintenance of Plant	3,935
Pupil Transportation	56,387
Operation of Non-Instructional Services	9,747
Operation of Food Services	4,489
Extracurricular	5,806
<b>Total Depreciation Expense</b>	<b>\$ 1,206,262</b>

**Struthers City School District**  
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**Note 10 – Capital Lease**

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

The assets acquired through the capital lease are as follows:

<i>Asset:</i>	<u>Governmental Activities</u>
Vehicles - School Bus	\$70,965
Less: Accumulated Depreciation	<u>(10,099)</u>
Total Book Value as of June 30, 2009	<u><u>\$60,866</u></u>

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

**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with Indiana Insurance Company property insurance with a \$1,000 deductible. Professional liability is protected by the Indiana Insurance Company with a \$3,000,000 aggregate limit.

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

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

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

***B. Workers' Compensation***

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

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**C. Employee Health Benefits**

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

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

The claims liability of \$10,525 reported in the internal service fund at June 30, 2009, is based on an estimate provided by the third party administrator and the requirements of the Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2008	\$14,106	105,085	105,112	\$14,079
2009	14,079	21,634	25,188	10,525

**Note 12 - Pension Plans**

**A. School Employees Retirement System**

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

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**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$163,183, \$153,344, and \$171,369, respectively; 36.7 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

***B - State Teachers Retirement System***

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

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

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

**Struthers City School District**  
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**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

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

A Defined Benefit or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$1,054,542, \$1,018,881, and \$972,920, respectively; 79.9 percent has been

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contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$12,051 made by the District and \$20,262 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2008 *Comprehensive Annual Financial Report* were available after December 26, 2008.

Additional information or copies of STRS Ohio's 2008 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**C. Social Security System**

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**Note 13 – Postemployment Benefits**

**A - School Employees Retirement System**

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75 percent. The District's contributions for the years ended June 30, 2009, 2008 and 2007 were \$13,464, \$15,194 and \$16,573, respectively, 36.7 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

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The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is allocated for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2009, 2008 and 2007 were \$101,551, \$93,255 and \$68,282, respectively; 36.7 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2009, 2008 and 2007 were \$81,119, \$78,375 and \$74,840 respectively; 79.9 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Note 14 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

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

**B. Life Insurance**

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

**Note 15 - Long-term Obligations**

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

<b>Governmental-Type Activities</b>	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amounts due in One Year
<b>General Obligation Bonds</b>					
1992 School Improvement Refunding Bonds:					
Current Interest Term Bonds	\$1,500,000	\$0	\$195,000	\$1,305,000	\$200,000
Unamortized Loss	(18,586)	0	(2,896)	(15,690)	0
<b>Total 1992 School Improvement Refunding Bonds</b>	<b>1,481,414</b>	<b>0</b>	<b>192,104</b>	<b>1,289,310</b>	<b>200,000</b>
2000 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	630,000	0	200,000	430,000	210,000
Current Interest Term Bonds	1,950,000	0	0	1,950,000	0
Capital Appreciation Bonds	475,097	0	0	475,097	0
Accretion on Capital Appreciation Bonds	357,523	57,562	0	415,085	0
<b>Total 2000 Ohio School Facilities Bonds</b>	<b>3,412,620</b>	<b>57,562</b>	<b>200,000</b>	<b>3,270,182</b>	<b>210,000</b>
<b>Total General Obligation Bonds</b>	<b>4,894,034</b>	<b>57,562</b>	<b>392,104</b>	<b>4,559,492</b>	<b>410,000</b>
<b>Other Long-Term Obligations:</b>					
1998 Energy Conservation Note	188,300	0	27,700	160,600	29,100
Capital Lease Payable	53,483	0	53,483	0	0
Compensated Absences	913,751	685,654	148,143	1,451,262	147,311
Early Retirement Incentive	6,000	0	0	6,000	6,000
<b>Total Other Long-Term Obligations</b>	<b>1,161,534</b>	<b>685,654</b>	<b>229,326</b>	<b>1,617,862</b>	<b>182,411</b>
<b>Total Long-Term Obligations</b>	<b>\$6,055,568</b>	<b>\$743,216</b>	<b>\$621,430</b>	<b>\$6,177,354</b>	<b>\$592,411</b>

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

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

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

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

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:

Fiscal year Ending June 30,	Principal
2016	\$235,000
2017	250,000
2018	265,000
2019	275,000
2020	290,000
2021	310,000
<i>Total</i>	<u>\$1,625,000</u>

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

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

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

The 2000 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$57,562 represents the accretion of discounted interest. The final maturity of these bonds is \$1,930,000.

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

The School District's overall legal debt margin was \$10,425,548 with an unvoted debt margin of \$131,139 at June 30, 2009. Principal requirements to retire general obligation debt outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$410,000	\$171,538	\$581,538	\$0	\$0	\$0
2011	425,000	153,357	578,357	0	0	0
2012	215,000	32,528	247,528	105,623	129,377	235,000
2013	220,000	23,935	243,935	97,652	137,348	235,000
2014	230,000	14,820	244,820	97,868	137,132	235,000
2015 - 2019	985,000	266,576	1,251,576	173,954	296,046	470,000
2020 - 2023	1,200,000	132,676	1,332,676	0	0	0
<b>Total</b>	<b>\$3,685,000</b>	<b>\$795,430</b>	<b>\$4,480,430</b>	<b>\$475,097</b>	<b>\$699,903</b>	<b>\$1,175,000</b>

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2010	\$29,100	\$7,982	\$37,082
2011	30,500	6,536	37,036
2012	32,000	5,020	37,020
2013	33,600	3,429	37,029
2014	35,400	1,759	37,159
<b>Total</b>	<b>\$160,600</b>	<b>\$24,726</b>	<b>\$185,326</b>

**Note 16 - Set-Asides**

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

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

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2008	(\$444,790)	\$0
Current Year Set-Aside Requirement	335,903	335,903
Qualifying Disbursements	(369,783)	(1,461,612)
Current year offsets	0	(127,097)
Total	(\$478,670)	(\$1,252,806)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$478,670)	(\$1,252,806)
Cash balance as of June 30, 2009	\$0	\$0

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The total reserve balance for all set-asides at the end of the fiscal year was \$8,124.

**Note 17 - Jointly Governed Organizations**

***A. Area Cooperative Computerized Educational Service System Council of Governments***

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

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

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

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

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

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All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid \$29,070 to ACCESS during fiscal year 2009. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

***B. Mahoning County Career and Technical Center***

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2009, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

***C. Ohio Schools' Council Association***

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2009, the Struthers City School District paid \$132,288 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**Note 18 - Shared Risk Pool**

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

**Note 19 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

***B. Litigation***

At June 30, 2009, the School District was not party to any legal proceedings.

**Struthers City School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**Note 20 – New Accounting Standards**

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

In February of 2009, the GASB issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting. Statement No. 54 will not be effective for the District until fiscal year 2011

**STRUTHERS CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	102603-3L70-09	10.553	\$98,320		\$98,320	
National School Lunch Program	102603-3L60-09	10.555	<u>473,228</u>	<u>\$98,386</u>	<u>473,228</u>	<u>\$98,386</u>
Total Department of Agriculture			<u>571,548</u>	<u>98,386</u>	<u>571,548</u>	<u>98,386</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education: Special Education Cluster						
Title I Grants to Local Educational Agencies	102603-3M00-08 102603-3M00-09	84.010	-	-	96,439	-
			<u>460,426</u>	<u>-</u>	<u>445,932</u>	<u>-</u>
			460,426	-	542,371	-
Special Education Grants to States - IDEA	102603-3M20-07	84.027			3,580	
Special Education Grants to States - IDEA	102603-3M20-08	84.027			12,752	
Special Education Grants to States - IDEA	102603-3M20-09	84.027	<u>401,334</u>		<u>369,249</u>	<u>-</u>
Total - Special Education Grants to States			401,334	-	385,581	-
Safe and Drug Free Schools and Communities	102603-3D10-08	84.186		-	7,500	-
Safe and Drug Free Schools and Communities	102603-3D10-09	84.186	<u>8,416</u>	<u>-</u>	<u>3,336</u>	<u>-</u>
			8,416	-	10,836	-
State Grants for Innovative Programs	102603-3M10-08	84.298		-	3,034	-
State Grants for Innovative Programs	102603-3M10-09	84.298	<u>1,710</u>	<u>-</u>	<u>1,710</u>	<u>-</u>
Total State Grants for Innovative Programs			1,710		4,744	
Education Technology State Grants	102603-3S20 - 09	84.318	4,293		4,293	
Improving Teacher Quality State Grants	102603-3Y60 - 08 102603-3Y60 - 09	84.367 84.367	<u>137,516</u>	<u>-</u>	<u>12,456</u> <u>137,516</u>	<u>-</u>
Total Improving Teacher Quality State Grants			137,516		149,972	
Total Department of Education			<u>1,013,695</u>	<u>-</u>	<u>1,097,797</u>	<u>-</u>
Totals			<u><u>\$1,585,243</u></u>	<u><u>\$98,386</u></u>	<u><u>\$1,669,345</u></u>	<u><u>\$98,386</u></u>

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

**STRUTHERS CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**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.

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# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

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

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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

We consider finding 2009-001 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated October 30, 2010.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 30, 2010.

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

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



**Mary Taylor, CPA**  
Auditor of State

October 30, 2010



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Struthers City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in findings 2009-002 through 2009-003 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs applicable to its Title VI-B and Title I programs. Compliance with these requirements are necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Struthers City School District complied, in all material respects, with the requirements referred to above applicable to each of its major federal programs for the year ended June 30, 2009.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

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### 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 Struthers City School District's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-002 and 2009-003 to be material weaknesses.

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

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



**Mary Taylor, CPA**  
Auditor of State

October 30, 2010

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505**

**STRUTHERS CITY SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs Compliance Opinion</b>	Title I - Qualified Title VI-B –Qualified Nutrition Cluster - Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510a?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs:</b>	Title VI-B/84.027 Title I/84.010 Nutrition Cluster/ 10.550,553 & 555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

<b>Finding Number</b>	2009-001
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**Noncompliance/Significant Deficiency**

**Ohio Revised Code Section 5705.10(H)** states that money paid into any fund shall be used only for the purposes for which such fund is established. Numerous District funds showed expenditures from each fund into an 022 Agency Fund for centralized payroll related costs such as employers’ share of STRS, SERS, Medicare and Workers Compensation, as well as a grant clearing account for handicap services. While the expenditures for these purposes were lawful from all involved funds, the amounts charged to the individual funds did not reconcile with the amounts remitted from the 022 fund to the respective agencies. This amounted to expenditures from each fund that could not be tied to specific obligations. Additionally, this created an increase of fund balance in the 022 fund of \$200,224, for which the District could not demonstrate valid obligations existed to offset the amount of all the fund changes. The 022 fund had a fund balance of \$563,290 at June 30, 2009.

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

General	Lunch- room	Auxiliary Services	Pre-school Grant	Title I	Title VI-B	PBA	CORE Grant	Title II-A	Total
149,312	5,945	1,043	2,713	20,390	6,264	9,576	965	4,016	200,224

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

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

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

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

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

**FINDING NUMBER 2009-001  
 (Continued)**

**Officials' Response:**

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

**3. FINDINGS FOR FEDERAL AWARDS**

**1. Allowable Costs**

<b>Finding Number</b>	2009-002
<b>CFDA Title and Number</b>	Title VI-B/84.027
<b>Federal Award Number/Year</b>	6B-SF-09
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance Finding, Material Weakness, and Questioned Costs**

**20 USC §§ 1413(a)(2) and (4)** state a local education agency (LEA) may use Federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities. **20 USC § 1401(26) and (29)** provide that "special education" includes specially designed instruction, at no cost to the parent, to meet the unique needs of a child with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions and in other settings, and instruction in physical education. "Related services" include transportation and such developmental, corrective and other supportive services as may be required to assist a child with a disability to benefit from special education. A portion of these funds, under conditions specified in the law, may also be used by the LEA for services and aids that also benefit non-disabled children; for early intervening services; to establish and implement high-cost or risk-sharing funds; and for the administrative case management.

**2 CFR Part 225 (OMB-Circular A-87) Appendix A, Section C 1.j (Basic Guidelines)** states for a cost to be allowable under Federal awards it must be adequately documented.

The District reported as expenditures, and thus additional cash requests, amounts that they had paid to the 22 Agency Fund. The District could not provide evidence of the corresponding obligations for a total of \$10,935.

**2 CFR Part 225 (OMB-Circular A-87) Appendix A, Section C 3.a (Basic Guidelines)** states that cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The District paid a company \$16,721 of Title VI-B grant monies to scan records into an electronic format. We could find no documentation to support the allocation of the cost for this service to Title VI-B.

This has resulted in \$27,656 of federal questioned costs relating to the Title VI-B grant monies.

**FINDING NUMBER 2009-002  
 (Continued)**

We recommend the District review the grant guidelines thoroughly and resolve any questions that result prior to incurring any obligations. The District should make sure they are aware of what activities are allowed by the grant, what constitutes “allowability,” and what constitutes “reasonable and necessary” under the allowable cost principles as defined in OMB Circular A-87 (2 CFR 225) in order to ensure the grant is run in accordance with the agreement.

**Officials’ Response:**

The Treasurer believes that of the \$10,935 of the questioned cost above, \$6,264 should not be included as a questioned cost, because this amount was transferred back into the Title VI-B from the 22 Agency Fund as stipulated in Audit Finding 2009-01. Additionally, the Auditor of State’s Office fails to acknowledge to the following two (2) corrections to their calculation as depicted as follows:

- (1) Worker compensation calculation error by AOS in favor of the grantee of \$3,418.66  
 Calculation error  $\$274,166.63 \times 1.28\% = \$3,509.33$  minus  $\$90.67$  AOS data entry =  $\$3,418.66$ .
- (2) Failure to calculate the impact of the SERS surcharge on classified employees of the grant of  $\$3,509.33$  as documented by the SERS billing statement.  
 The net result is a reduction of  $\$6,928$  of the questioned  $\$10,935$  cost opined above.

The Treasurer also believes that \$16,721 expended to scan records into an electronic format is an allowable cost which was documented by the contract entered into with a scanning company on 7/14/08 for a data imaging project to scan all special education testing file images of all students who were potential candidates screened and tested for special education which are considered archived special education records housed in 20 filing cabinet drawers containing 1400 documents each. All scanned documents were placed on secure district hosted servers with access credentials issued to appropriate district personnel with the company’s hosted servers serving as off site back-up. Said project was intended to ensure confidentiality of special education information while alleviating the fear of loss of permanent primary paper records lacking permanent backup. Since this project was below the statutory threshold of \$25,000 no board action was necessary. Hence, only potential special education testing file image records were scanned the question of it being a valid expense is rendered moot.

**Auditor of State’s Conclusion:** The AOS did not include the worker compensation amount or the SERS surcharge amount (items 1 and 2 above) in calculating the questioned costs.

The AOS is not disputing that the \$16,721 expended to scan records into an electronic format would be allowable had the cost been properly documented, but that documentation was not provided to support the allocation of the expenditure between Title VI-B, Title I and other funds charged for this service.

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

**Allowable Costs**

<b>Finding Number</b>	2009-003
<b>CFDA Title and Number</b>	Title I/84.010
<b>Federal Award Number/Year</b>	C1-S1-09
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**FINDING NUMBER 2009-003  
(Continued)**

**Noncompliance Finding, Material Weakness, and Questioned Costs**

**2 CFR Part 225 (OMB-Circular A-87) Appendix A, Section C 1.j (Basic Guidelines)** states for a cost to be allowable under Federal awards it must be adequately documented.

The District reported as expenditures, and thus additional cash requests, amounts that they had remitted to Fund Number 22 (Agency Fund). The District could not provide evidence of the corresponding obligations for a total of \$149,811.

**2 CFR Part 225 (OMB-Circular A-87) Appendix A, Section C 3.a (Basic Guidelines)** states that cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The District also paid a company \$17,555 of Title I grant monies to scan records into an electronic format. There is no documentation to support the allocation of the cost for this service to Title I.

This has resulted in \$167,366 of federal questioned costs relating to the Title I grant monies.

We recommend the District review the grant guidelines thoroughly and resolve any questions that result prior to incurring any obligations. The District should make sure they are aware of what activities are allowed by the grant, what constitutes said allow ability, and what constitutes "reasonable and necessary" under the allowable cost principles as defined in OMB Circular A-87 in order to ensure the grant is run in accordance with the agreement.

**Officials' Response:**

It is the contention of the district's Treasurer that of the \$167,366 of questioned costs, said amount can be grouped into two categories comprised of \$149,811 and \$17,555 for analysis purposes.

The Treasurer believes that of the \$149,811, \$20,039 was a correcting entry for the proration of the Literacy Coordinator/Teacher cost for assisting the elementary teaching staff in adopting new teaching methodologies for reading instruction in the classroom as well as coordinating the delivery of Reading Recovery by the district's Title I teachers with 50% of her salary paid by Title I as documented in her semi-annual certificate of activity substantiating this entry.

The Treasurer also believes that of the \$149,811, \$40,148 was a correcting entry for the proration of instructional education consultants provided by the Mahoning County Educational Service Center to Title I for administrative oversight and technical assistance support of the Title I teaching staff.

The Treasurer believes that of the \$149,811, \$44,800 was a correcting entry for Title I summer pays which were charged back to the Grant Clearance Account. Said practice was curtailed by the district's Treasurer upon learning that teacher salaries earned prior to June 30 can be paid over the summer months through the current fiscal year program in which said services were provided.

The Treasurer believes that of the \$149,811, \$53,170 was a correcting entry for Title I pays charged to the wrong grant fiscal year which were charged back to the Grant Clearance Account. Said practice was curtailed by the district's Treasurer upon learning that teacher salaries earned prior to June 30 can be paid over the summer months through the current fiscal year program in which said services were provided.

**FINDING NUMBER 2009-003  
(Continued)**

The Treasurer believes that of the \$149,811, \$8,934 was a correcting entry for retirement bonus/severance pay for a Title I teacher as depicted in the documentation of her pay calculation and her semi-annual certificate of activity substantiating this entry.

The Treasurer also believes that \$17,555 expended to scan records into an electronic format is an allowable cost which was documented by the contract entered into with a scanning company on 7/14/08 for a data imaging project to scan all Title I education testing file images of all students who were potential candidates screened and tested for said educational services which are considered archived with special education records housed in 20 filing cabinet drawers containing 1400 documents each. All scanned documents were placed on secure district hosted servers with access credentials issued to appropriate district personnel with the company hosted servers serving as off site back-up. Said project was intended to ensure confidentiality of educational testing identification information while alleviating the fear of loss of permanent primary paper records lacking permanent backup. Since this project was below the statutory threshold of \$25,000 no board action was necessary. Hence, only having potential Title I education testing file image records scanned addresses the question of it being a valid expense is rendered moot.

**Auditor of State's Conclusion:**

The Literacy Coordinator/Teacher was not provided for in the budget detail submitted to the Ohio Department of Education and is therefore a questioned cost.

We have reviewed the documentation presented by the Treasurer to support the \$40,148 expense to instructional education consultants and we do not believe said documents resolve the matters of the above listed federal questioned costs in that there is no support for the proration of expense.

We found that payroll was not paid out of Fund 022 and we do not believe said documentation supports the \$44,800 referred to above.

We found that payroll was not paid out of Fund 022 and we do not believe said documentation supports the \$53,170 referred to above.

The \$8,934 correcting entry for retirement bonus/severance pay for a Title I teacher was already adjusted out of the amount of the questioned cost.

The AOS is not disputing that the \$17,555 expended to scan records into an electronic format would be allowable had the cost been properly documented, but that documentation was not provided to support the allocation of the expenditure between Title VI-B, Title I and other funds charged for this service.

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

**STRUTHERS CITY SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2008-001	<b>Ohio Revised Code Section 5705.10(H)</b> - money paid into any fund shall be used only for the purposes for which such fund is established.	No	Not corrected in 2009 but corrected in 2010.
2008-002	<b>Consolidated Application Assurances Item 6</b> -Project Cash Requests (PCRs) for "Total Cash Basis Expenditures" and "Cash Balance On Hand" submitted during the audit period could not be substantiated by the District's financial records for the related funds.	Yes	
2008-003	<b>Noncompliance Finding/Questioned Cost</b>  <b>2 CFR Part 225, Appendix A: C.1.j</b> requires governments to adequately document costs allowable and unallowable under the A-133 Single Audit Act.	No	Not corrected in 2009. District is working toward correcting this issue.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 10, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;
  - (7) A procedure for responding to and investigating any reported incident;

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

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

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



**Mary Taylor, CPA**  
Auditor of State

October 30, 2010



# Dave Yost • Auditor of State

**STRUTHERS CITY SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2011**