



Dave Yost • Auditor of State

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) – IDEA Part B Fund	18
Statement of Fund Net Assets – Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	20
Statement of Cash Flows - Proprietary Fund.....	21
Statement of Fiduciary Net Assets - Fiduciary Funds.....	22
Notes to the Basic Financial Statements	23
Schedule of Federal Awards Expenditures.....	50
Notes to the Schedule of Federal Awards Expenditures	51
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
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	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings	65

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Dave Yost • 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Struthers City School District, Mahoning County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and IDEA Title VI-B funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 30, 2011

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

This discussion and analysis of Struthers City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets increased by \$2,007,938, which represents an 8.4 percent increase from fiscal year 2009.
- Revenues for governmental activities totaled \$22,605,667 in fiscal year 2010. Of this total, 73.3 percent consisted of general revenues while program revenues accounted for the balance of 26.7 percent.
- Program expenses totaled \$20,597,729. Instructional expenses made up 64.5 percent of this total while support services accounted for 27.1 percent. Other expenses rounded out the remaining 8.4 percent.
- The District's major governmental funds are the general fund, the bond retirement fund and the IDEA Part B special revenue fund. The general fund had \$16,543,021 in revenues and \$14,930,748 in expenditures. During fiscal year 2010, the general fund's fund balance increased \$1,603,944 from \$2,664,613 to \$4,268,557.
- The District's other major governmental funds are the bond retirement fund and the IDEA Part B special revenue fund. The bond retirement fund had \$608,937 in revenues and \$627,748 in expenditures. During fiscal year 2010, the bond retirement fund balance decreased \$18,811 from \$1,471,757 to \$1,452,946. During fiscal year 2010, the IDEA Part B fund balance decreased \$484,344 from \$12,506 to negative \$471,838.

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, the bond retirement fund and the IDEA Part B special revenue 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, 2010
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement debt service fund and the IDEA Part B special revenue 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, 2010
Unaudited*

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

Table 1
Net Assets
Governmental Activities

	2010	2009	Change
Assets			
Current and Other Assets	\$14,816,872	\$12,763,009	\$2,053,863
Capital Assets, Net of Depreciation	23,709,102	24,278,116	(569,014)
<i>Total Assets</i>	<u>38,525,974</u>	<u>37,041,125</u>	<u>1,484,849</u>
Liabilities			
Current Liabilities	6,923,830	7,047,127	(123,297)
Long-Term Liabilities			
Due within One Year	598,851	592,411	6,440
Due in More than One Year	5,178,711	5,584,943	(406,232)
<i>Total Liabilities</i>	<u>12,701,392</u>	<u>13,224,481</u>	<u>(523,089)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	19,868,082	20,007,183	(139,101)
Restricted	2,384,472	1,885,853	498,619
Unrestricted	3,572,028	1,923,608	1,648,420
<i>Total Net Assets</i>	<u>\$25,824,582</u>	<u>\$23,816,644</u>	<u>\$2,007,938</u>

Total assets increased by \$1,484,849. The majority of this increase can be attributed to an increase in cash and cash equivalents, due to an overall approach by the School District to cut expenses.

Total liabilities decreased by \$523,089. The majority of this decrease was due to a reduction in principal owed on long-term debt and short-term notes payable.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$2,007,938.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$16,563,654 or 73.3 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 \$6,042,013 or 26.7 percent of total revenue.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for fiscal year 2010 as compared to fiscal year 2009.

Table 2
Change in Net Assets
Governmental Activities

	2010	2009	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,690,638	\$1,550,983	\$139,655
Operating Grants and Contributions	4,351,375	2,893,250	1,458,125
Capital Grants and Contributions	0	19,692	(19,692)
<i>Total Program Revenues</i>	<u>6,042,013</u>	<u>4,463,925</u>	<u>1,578,088</u>
General Revenues			
Property Taxes	4,811,786	4,986,772	(174,986)
Intergovernmental	11,696,656	10,611,882	1,084,774
Investment Earnings	18,689	57,462	(38,773)
Miscellaneous	36,523	71,609	(35,086)
<i>Total General Revenues</i>	<u>16,563,654</u>	<u>15,727,725</u>	<u>835,929</u>
<i>Total Revenues</i>	<u>22,605,667</u>	<u>20,191,650</u>	<u>2,414,017</u>
Program Expenses			
Current:			
Instruction	13,298,451	13,211,806	86,645
Support Services:			
Pupils	492,710	647,753	(155,043)
Instructional Staff	233,801	157,267	76,534
Board of Education	54,251	62,331	(8,080)
Administration	1,044,826	1,153,558	(108,732)
Fiscal	445,488	442,233	3,255
Business	50,406	41,664	8,742
Operation and Maintenance of Plant	2,709,013	2,000,773	708,240
Pupil Transportation	503,725	459,190	44,535
Central	39,054	43,987	(4,933)
Operation of Non-Instructional Services	159,676	117,598	42,078
Operation of Food Services	756,548	851,254	(94,706)
Extracurricular Activities	563,290	475,971	87,319
Interest and Fiscal Charges	246,490	263,347	(16,857)
<i>Total Program Expenses</i>	<u>20,597,729</u>	<u>19,928,732</u>	<u>668,997</u>
<i>Change in Net Assets</i>	2,007,938	262,918	1,745,020
Net Assets Beginning of Year	<u>23,816,644</u>	<u>23,553,726</u>	<u>262,918</u>
<i>Net Assets End of Year</i>	<u><u>\$25,824,582</u></u>	<u><u>\$23,816,644</u></u>	<u><u>\$2,007,938</u></u>

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 80.4 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, 2010
Unaudited

Governmental Activities

Net assets of the District's governmental activities increased \$2,007,938. Total governmental expenses of \$20,597,729 were offset by program revenues of \$6,042,013 and general revenues of \$16,563,654. Program revenues supported 29.3 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 73.0 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$13,298,451 or 64.5 percent of total governmental expenses for fiscal year 2010.

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

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,814,013	\$7,173,227	\$9,441,652	\$8,097,964
Special	3,042,458	1,609,600	2,446,760	1,552,613
Vocational	448,224	366,205	426,975	394,731
Other	993,756	465,514	896,419	524,435
Support Services:				
Pupils	492,710	413,659	647,753	590,159
Instructional Staff	233,801	126,345	157,267	148,626
Board of Education	54,251	49,571	62,331	57,981
Administration	1,044,826	875,761	1,153,558	998,092
Fiscal	445,488	405,027	442,233	410,212
Business	50,406	45,967	41,664	38,476
Operation and Maintenance of Plant	2,709,013	2,250,869	2,000,773	1,757,693
Pupil Transportation	503,725	386,126	459,190	397,277
Central	39,054	29,356	43,987	26,440
Operation of Non-Instructional Services	159,676	(45,884)	117,598	18,076
Food Service Operation	756,548	(154,264)	851,254	(36,300)
Extracurricular Activities	563,290	312,147	475,971	224,985
Interest and Fiscal Charges	246,490	246,490	263,347	263,347
Total Expenditures	\$20,597,729	\$14,555,716	\$19,928,732	\$15,464,807

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The School District's Funds

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,662,725 to offset expenditures of \$20,413,945. The net change in fund balance for the year was most significant in the general fund, which increased \$1,603,944. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 70 percent and 21 percent respectively, of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Struthers City School District.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District did not amend its general fund budget. For the general fund, original and final budgeted revenues were \$16,139,313. Actual revenues for fiscal year 2010 were \$16,542,232. This represents a \$402,919 increase from original and final budgeted revenues.

General fund original and final appropriations of \$17,054,105 were not changed during the fiscal year. The actual budget basis expenditures for fiscal year 2010 totaled \$15,638,992, which were \$1,393,658 less than original and final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$23,709,102 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

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

	2010	2009
Land	\$422,600	\$422,600
Construction in Progress	345,431	299,949
Land Improvements	1,201,560	1,087,507
Buildings and Improvements	21,037,236	21,610,161
Furniture and Equipment	507,662	599,825
Vehicles	194,613	258,074
<i>Total</i>	<u>\$23,709,102</u>	<u>\$24,278,116</u>

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

All capital assets, except land, are reported net of depreciation. The overall decrease in capital assets of \$569,014 is due to capital outlays of \$684,607 being less than current year depreciation of \$1,253,621 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>2010</u>	<u>2009</u>
General Obligation Bonds	\$4,225,346	\$4,575,182
Energy Conservation Notes	<u>131,500</u>	<u>160,600</u>
<i>Total</i>	<u><u>\$4,356,846</u></u>	<u><u>\$4,735,782</u></u>

At June 30, 2010, the District had \$4,225,346 in general obligation bonds and \$131,500 in energy conservation notes outstanding. Of this total, \$455,500 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 20 percent. One can see the significant impact of any external market changes would have on the District, and ultimately, the residential taxpayers. The Struthers City School District has not anticipated any meaningful growth in State revenue due to the concern the State may require the redistribution of commercial and industrial property taxes.

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

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, 2010
Unaudited

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

<u>Fiscal Year</u>	<u>Expense Per Pupil</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
2010	\$8,164	+\$666	+9%
2009	\$7,498	+\$273	+4%
2008	\$7,225	(\$301)	(4%)
2007	\$7,526	(\$88)	(1%)
2006	\$7,614	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, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,507,166
Accrued Interest Receivable	18
Accounts Receivable	771
Intergovernmental Receivable	968,425
Property Taxes Receivable	5,300,445
Inventory Held for Resale	8,468
Materials and Supplies Inventory	3,795
Unamortized Bond Issuance Costs	27,784
Nondepreciable Capital Assets	768,031
Depreciable Capital Assets, Net	22,941,071
<i>Total Assets</i>	<u>38,525,974</u>
Liabilities	
Accounts Payable	6,505
Accrued Wages and Benefits Payable	1,592,440
Intergovernmental Payable	495,695
Deferred Revenue	4,801,303
Accrued Interest Payable	17,375
Claims Payable	10,512
Long-Term Liabilities:	
Due Within One Year	598,851
Due In More Than One Year	5,178,711
<i>Total Liabilities</i>	<u>12,701,392</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	19,868,082
Restricted for:	
Capital Projects	867
Debt Service	999,014
Other Purposes	1,376,467
Set-asides	8,124
Unrestricted	3,572,028
<i>Total Net Assets</i>	<u>\$25,824,582</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, 2010

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$8,814,013	\$621,874	\$1,018,912	\$0	(\$7,173,227)
Special	3,042,458	157,821	1,275,037	0	(1,609,600)
Vocational	448,224	36,921	45,098	0	(366,205)
Other	993,756	62,323	465,919	0	(465,514)
Support Services:					
Pupils	492,710	42,254	36,797	0	(413,659)
Instructional Staff	233,801	10,688	96,768	0	(126,345)
Board of Education	54,251	4,403	277	0	(49,571)
Administration	1,044,826	84,320	84,745	0	(875,761)
Fiscal	445,488	37,685	2,776	0	(405,027)
Business	50,406	4,439	0	0	(45,967)
Operation and Maintenance of Plant	2,709,013	160,349	297,795	0	(2,250,869)
Pupil Transportation	503,725	32,485	85,114	0	(386,126)
Central	39,054	2,839	6,859	0	(29,356)
Operation of Non-Instructional Services	159,676	3,977	201,583	0	45,884
Operation of Food Services	756,548	188,592	722,220	0	154,264
Extracurricular Activities	563,290	239,668	11,475	0	(312,147)
Interest and Fiscal Charges	246,490	0	0	0	(246,490)
<i>Total Governmental Activities</i>	<u>\$20,597,729</u>	<u>\$1,690,638</u>	<u>\$4,351,375</u>	<u>\$0</u>	<u>(14,555,716)</u>
General Revenues					
Property Taxes Levied for:					
					4,286,439
					472,895
					52,452
					11,696,656
					18,689
					36,523
					<u>16,563,654</u>
					2,007,938
					23,816,644
					<u>\$25,824,582</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2010

	General	Bond Retirement	IDEA Part B	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,267,930	\$1,452,946	\$0	\$1,674,889	\$8,395,765
Accrued Interest Receivable	18	0	0	0	18
Accounts Receivable	771	0	0	0	771
Interfund Receivable	754,718	0	0	0	754,718
Intergovernmental Receivable	0	0	524,060	444,365	968,425
Property Taxes Receivable	4,773,459	470,223	0	56,763	5,300,445
Inventory Held for Resale	0	0	0	8,468	8,468
Materials and Supplies Inventory	0	0	0	3,795	3,795
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	8,124	0	0	0	8,124
<i>Total Assets</i>	<u>\$10,805,020</u>	<u>\$1,923,169</u>	<u>\$524,060</u>	<u>\$2,188,280</u>	<u>\$15,440,529</u>
Liabilities					
Accounts Payable	\$366	\$0	\$0	\$6,139	\$6,505
Accrued Wages and Benefits Payable	1,348,949	0	32,872	210,619	1,592,440
Intergovernmental Payable	413,689	0	15,352	66,654	495,695
Interfund Payable	0	0	423,614	331,104	754,718
Deferred Revenue	4,773,459	470,223	524,060	435,429	6,203,171
<i>Total Liabilities</i>	<u>6,536,463</u>	<u>470,223</u>	<u>995,898</u>	<u>1,049,945</u>	<u>9,052,529</u>
Fund Balances					
Reserved for Encumbrances	595,746	5,000	72,652	471,097	1,144,495
Reserved for Bus Purchases	8,124	0	0	0	8,124
Unreserved:					
Undesignated, Reported in:					
General Fund	3,664,687	0	0	0	3,664,687
Special Revenue Funds	0	0	(544,490)	666,371	121,881
Debt Service Funds	0	1,447,946	0	0	1,447,946
Capital Projects Funds	0	0	0	867	867
<i>Total Fund Balances</i>	<u>4,268,557</u>	<u>1,452,946</u>	<u>(471,838)</u>	<u>1,138,335</u>	<u>6,388,000</u>
<i>Total Liabilities and Fund Balances:</i>	<u>\$10,805,020</u>	<u>\$1,923,169</u>	<u>\$524,060</u>	<u>\$2,188,280</u>	<u>\$15,440,529</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, 2010*

Total Governmental Fund Balances	\$6,388,000
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,709,102
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	499,142
Intergovernmental Revenue	<u>902,726</u>
Total	1,401,868
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.	92,765
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.	27,784
Unamortized deferred amounts on advanced refunding are not recognized in the funds.	12,793
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(17,375)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(3,750,097)
Accretion on Capital Appreciation Bond	(475,249)
Energy Conservation Note	(131,500)
Compensated Absences	<u>(1,433,509)</u>
Total	<u>(5,790,355)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$25,824,582</u></u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	IDEA Part B	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$4,208,684	\$465,131	\$0	\$51,514	\$4,725,329
Tuition and Fees	1,244,209	0	0	17,931	1,262,140
Interest	16,043	0	0	2,646	18,689
Charges for Services	0	0	0	188,592	188,592
Extracurricular Activities	13,360	0	0	219,890	233,250
Rentals	6,656	0	0	0	6,656
Contributions and Donations	356	0	0	14,528	14,884
Intergovernmental	11,024,155	143,806	419,893	3,588,808	15,176,662
Miscellaneous	29,558	0	0	6,965	36,523
Total Revenues	16,543,021	608,937	419,893	4,090,874	21,662,725
Expenditures					
Current:					
Instruction:					
Regular	6,867,224	0	0	880,073	7,747,297
Special	1,780,295	0	481,422	745,894	3,007,611
Vocational	416,864	0	0	27,685	444,549
Other	676,496	0	0	317,473	993,969
Support Services:					
Pupils	562,675	0	0	13,093	575,768
Instructional Staff	119,844	0	0	96,764	216,608
Board of Education	49,922	0	0	924	50,846
Administration	960,709	1,094	79,295	179	1,041,277
Fiscal	429,421	8,106	0	10,075	447,602
Business	50,379	0	0	0	50,379
Operation and Maintenance of Plant	1,561,669	0	254,401	285,632	2,101,702
Pupil Transportation	367,087	0	86,715	0	453,802
Central	32,195	0	0	6,859	39,054
Operation of Non-Instructional Services	45,087	0	5,733	105,056	155,876
Operation of Food Services	0	0	0	741,102	741,102
Extracurricular Activities	229,903	0	0	259,277	489,180
Capital Outlay	780,978	0	0	457,797	1,238,775
Debt Service:					
Principal Retirement	0	439,100	0	0	439,100
Interest and Fiscal Charges	0	179,448	0	0	179,448
Total Expenditures	14,930,748	627,748	907,566	3,947,883	20,413,945
Excess of Revenues Over (Under) Expenditures	1,612,273	(18,811)	(487,673)	142,991	1,248,780
Other Financing Sources (Uses)					
Transfers In	0	0	3,329	5,000	8,329
Transfers Out	(8,329)	0	0	0	(8,329)
Total Other Financing Sources (Uses)	(8,329)	0	3,329	5,000	0
Net Change in Fund Balances	1,603,944	(18,811)	(484,344)	147,991	1,248,780
Fund Balances Beginning of Year - Restated (See Note 3)	2,664,613	1,471,757	12,506	990,344	5,139,220
Fund Balances End of Year	\$4,268,557	\$1,452,946	(\$471,838)	\$1,138,335	\$6,388,000

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, 2010*

Net Change in Fund Balances - Total Governmental Funds \$1,248,780

***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	684,607
Current Year Depreciation	(1,253,621)

Total (569,014)

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

Property Taxes	86,457
Intergovernmental Revenue	856,485

Total 942,942

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

439,100

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	2,309
Accreted Interest on Bonds	(60,164)
Amortization of Gain/Loss on Advance Refunding	(2,897)
Amortization of Bond Issuance Costs	(6,290)

Total (67,042)

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	17,753
Early Retirement Incentive	6,000

Total 23,753

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.

(10,581)

Change in Net Assets of Governmental Activities

\$2,007,938

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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,104,000	\$4,104,000	\$4,208,684	\$104,684
Tuition and Fees	1,649,441	1,649,441	1,243,438	(406,003)
Interest	72,000	72,000	16,025	(55,975)
Extracurricular Activities	23,000	23,000	13,360	(9,640)
Rentals	35,370	35,370	6,656	(28,714)
Contributions and Donations	1,000	1,000	356	(644)
Intergovernmental	9,612,502	9,612,502	11,024,155	1,411,653
Miscellaneous	642,000	642,000	29,558	(612,442)
<i>Total Revenues</i>	<u>16,139,313</u>	<u>16,139,313</u>	<u>16,542,232</u>	<u>402,919</u>
Expenditures				
Current:				
Instruction:				
Regular	7,440,293	7,440,293	7,035,864	404,429
Special	1,633,071	1,633,071	1,755,621	(122,550)
Vocational	593,930	593,930	422,400	171,530
Other	1,060,480	1,060,480	690,119	370,361
Support Services:				
Pupils	689,077	689,077	600,015	89,062
Instructional Staff	124,753	124,753	118,484	6,269
Board of Education	80,979	80,979	54,534	26,445
Administration	1,046,614	1,046,614	988,198	58,416
Fiscal	472,016	472,016	466,237	5,779
Business	58,373	58,373	50,409	7,964
Operation and Maintenance of Plant	2,205,345	2,205,345	1,863,339	342,006
Pupil Transportation	427,058	427,058	406,599	20,459
Central	38,055	38,055	32,570	5,485
Operation of Non-Instructional Services	23,984	23,984	70,887	(46,903)
Extracurricular Activities	287,093	287,093	219,739	67,354
Capital Outlay	843,200	843,200	855,648	(12,448)
<i>Total Expenditures</i>	<u>17,024,321</u>	<u>17,024,321</u>	<u>15,630,663</u>	<u>1,393,658</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(885,008)</u>	<u>(885,008)</u>	<u>911,569</u>	<u>1,796,577</u>
Other Financing Sources (Uses)				
Advances In	400,000	400,000	400,000	0
Transfers Out	(29,784)	(29,784)	(8,329)	21,455
<i>Total Other Financing Sources (Uses)</i>	<u>370,216</u>	<u>370,216</u>	<u>391,671</u>	<u>21,455</u>
<i>Net Change in Fund Balance</i>	(514,792)	(514,792)	1,303,240	1,818,032
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	2,958,786	2,958,786	2,958,786	0
<i>Prior Year Encumbrances Appropriated</i>	1,172,634	1,172,634	1,172,634	0
<i>Fund Balance End of Year</i>	<u>\$3,616,628</u>	<u>\$3,616,628</u>	<u>\$5,434,660</u>	<u>\$1,818,032</u>

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
IDEA Part B Fund
For the Fiscal Year Ended June 30, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$897,712	\$944,152	\$419,893	(\$524,259)
Expenditures				
Current:				
Instruction:				
Special	478,759	478,759	533,447	(54,688)
Support Services:				
Administration	77,861	77,861	90,585	(12,724)
Operation and Maintenance of Plant	253,184	253,184	258,383	(5,199)
Pupil Transportation	86,301	86,301	86,715	(414)
Operation of Non-Instructional Services	2,078	2,078	6,022	(3,944)
<i>Total Expenditures</i>	<u>898,183</u>	<u>898,183</u>	<u>975,152</u>	<u>(76,969)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(471)	45,969	(555,259)	(601,228)
Other Financing Sources (Uses)				
Transfers In	0	0	3,329	3,329
<i>Net Change in Fund Balance</i>	(471)	45,969	(551,930)	(597,899)
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	(27,172)	(27,172)	(27,172)	0
Prior Year Encumbrances Appropriated	82,836	82,836	82,836	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$55,193</u>	<u>\$101,633</u>	<u>(\$496,266)</u>	<u>(\$597,899)</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, 2010

	<u>Internal Service</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$103,277
Current Liabilities	
Claims Payable	<u>10,512</u>
Net Assets	
Unrestricted	<u><u>\$92,765</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, 2010*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	<u>\$124,081</u>
Operating Expenses	
Claims	102,474
Other	32,188
<i>Total Operating Expenses</i>	<u>134,662</u>
<i>Change in Net Assets</i>	(10,581)
<i>Net Assets Beginning of Year</i>	<u>103,346</u>
<i>Net Assets End of Year</i>	<u><u>\$92,765</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, 2010

	<u>Internal Service</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Charges for Services	\$124,081
Cash Payments for Claims	(102,487)
Cash Payments for Other Expenses	<u>(32,188)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	(10,594)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>113,871</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$103,277</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Loss	(\$10,581)
Adjustments:	
Decrease in Claims Payable	<u>(13)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$10,594)</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, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$68,006</u>
Liabilities	
Undistributed Monies	\$16,376
Due to Students	<u>51,630</u>
<i>Total Liabilities</i>	<u>\$68,006</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010 fiscal year was 1,946. 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, 2010

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, 2010

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.

IDEA Part B Special Revenue Fund The IDEA Part B special revenue fund accounts for restricted Federal grant monies used to assist the school in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010, 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, 2010.

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 2010 amounted to \$16,043, which includes \$102 assigned from other School District funds.

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

G. Inventory

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

J. Compensated Absences

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

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

K. Accrued Liabilities and Long-term Obligations

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

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

L. Fund Balance Reserves and Designations

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$2,384,472, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

N. Operating Revenues and Expenses

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

O. Extraordinary and Special Items

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 – Change in Accounting Principle and Restatement of Fund Balance and Net Assets

A. Change in Accounting Principle

For fiscal year 2010, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of GASB Statement No. 53 did not result in any changes to the District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of GASB Statement No. 57 did not result in any changes to the District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of GASB Statement No. 58 did not result in any changes to the District’s financial statements.

B. Restatement of Fund Balance

During fiscal year 2010, the District restated beginning fund cash balances to account for a prior year audit adjustment. Although this adjustment did not change governmental fund balances in total, it did change ending individual fund balances at June 30, 2009 as follows:

	General Fund	Bond Retirement	IDEA Part B	Other Governmental Funds	Total
Fund Balance at 6/30/09 Previously Reported	\$2,756,429	\$1,471,757	(\$6,235)	\$917,269	\$5,139,220
Increase (Decrease) to Cash	(91,816)	0	18,741	73,075	0
Restated Fund Balances at 6/30/09	<u>\$2,664,613</u>	<u>\$1,471,757</u>	<u>\$12,506</u>	<u>\$990,344</u>	<u>\$5,139,220</u>

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

C. Restatement of Net Assets

During fiscal year 2010, the District restated net assets of governmental activities to properly reflect its capital asset balances. This restatement changed ending net assets at June 30, 2009 as follows:

Net Assets at 6/30/09 as Previously Reported	\$25,592,933
Change in Capital Assets as Previously Reported	(1,776,289)
Restated Net Assets at 6/30/09	\$23,816,644

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2010 included the following individual fund deficits:

Major Governmental Fund:	Deficit
IDEA Part B Fund	\$471,838
Nonmajor Governmental Funds:	
Special Enterprise Fund	421
Poverty Aid Fund	45,022
Title I Fund	379,200
Improving Teacher Quality Fund	24,706

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

B. Compliance

At June 30, 2010, the following funds had negative cash balances, indicating that revenues from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10.

Major Governmental Fund:	Deficit
IDEA Part B	\$423,614
Nonmajor Governmental Funds:	
Special Enterprise Fund	421
Title I Fund	265,638
Improving Teacher Quality Fund	65,045

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

Note 5 - Budgetary Basis of Accounting

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

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

Net Change in Fund Balance	General Fund	IDEA Part B
GAAP Basis	\$1,603,944	(\$484,344)
Net Adjustment for Revenue Accruals	(789)	0
Advances In	400,000	0
Net Adjustment for Expenditure Accruals	(103,803)	5,066
Adjustment for Encumbrances	(596,112)	(72,652)
Budget Basis	\$1,303,240	(\$551,930)

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

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, 2010, the carrying amount of all District deposits was \$6,552,750. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2010, \$5,541,360 of the District's bank balance of \$6,649,984 was exposed to custodial risk as discussed below, while \$1,108,624 was covered by Federal Deposit Insurance Corporation.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

C. Investments

As of June 30, 2010, the School District had the following investments and maturities:

Investment Type	Fair Value	Maturity
STAROhio	\$2,019,122	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, 2010:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$6,552,750
Investments	2,019,122
Cash on hand	3,300
Total	\$8,575,172
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$8,507,166
Agency funds	68,006
Total	\$8,575,172

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 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 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2010, 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, 2010 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, 2010.

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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$139,588,700	95.80 %	\$140,398,760	96.02 %
Public Utility Personal	5,621,340	3.86	5,590,340	3.82
Tangible Personal Property	499,847	0.34	226,545	0.16
Total	<u><u>\$145,709,887</u></u>	<u><u>100.00 %</u></u>	<u><u>\$146,215,645</u></u>	<u><u>100.00 %</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$70.80		 \$64.70	

Note 8 - Receivables

Receivables at June 30, 2010, 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>Major Governmental Fund:</i>	
IDEA Part B Grant	\$524,060
<i>Non-major Governmental Funds:</i>	
Food Service Reimbursements	3,010
Teacher Development Grant	200
Preschool Grant	471
Title II-D Technology Grant	23
Title I Grant	378,172
Improving Teacher Quality Grant	<u>62,489</u>
Total Intergovernmental Receivable	<u><u>\$968,425</u></u>

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Restated Balance 6/30/09	Additions	Reductions	Balance 6/30/10
Governmental Activities:				
Capital assets not being depreciated				
Land	\$422,600	\$0	\$0	\$422,600
Construction in progress	299,949	345,431	(299,949)	345,431
Total capital assets not being depreciated	722,549	345,431	(299,949)	768,031
Capital assets being depreciated				
Land improvements	1,490,314	183,406	0	1,673,720
Buildings and improvements	30,738,423	455,719	0	31,194,142
Furniture, fixtures and equipment	1,048,172	0	0	1,048,172
Vehicles	942,178	0	0	942,178
Textbooks and Library Books	496,934	0	0	496,934
Total capital assets being depreciated	34,716,021	639,125	0	35,355,146
Accumulated depreciation				
Land improvements	(402,807)	(69,353)	0	(472,160)
Buildings and improvements	(9,128,262)	(1,028,644)	0	(10,156,906)
Furniture, fixtures and equipment	(448,347)	(92,163)	0	(540,510)
Vehicles	(684,104)	(63,461)	0	(747,565)
Textbooks and Library Books	(496,934)	0	0	(496,934)
Total accumulated depreciation	(11,160,454)	(1,253,621) *	0	(12,414,075)
Capital assets being depreciated, net	23,555,567	(614,496)	0	22,941,071
Governmental activities capital assets, net	\$24,278,116	(\$269,065)	(\$299,949)	\$23,709,102

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,038,246
Vocational	1,600
Support Services:	
Instructional Staff	15,774
Board of Education	3,405
Operation and Maintenance of Plant	50,858
Pupil Transportation	48,258
Operation of Non-Instructional Services	500
Operation of Food Services	15,237
Extracurricular	79,743
Total Depreciation Expense	\$1,253,621

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 10 – Interfund Activity

A. Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2010 interfund transfers were made as follows:

<u>Transfers To</u>	<u>Transfers From General Fund</u>
District Managed Student Activity Fund	\$5,000
IDEA Part B Fund	3,329
Total	<u>\$8,329</u>

B. Interfund Advances

During fiscal year 2010, the classroom facilities capital projects fund advanced \$400,000 to the general fund, which was a repayment of a prior year advance.

“Interfund receivable/payable” reported on the face of the financial statements consists of gaap basis transfers created in order to cover negative cash in various Nonmajor funds. See note 3 for detail on the negative funds.

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 2010, 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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

B. Workers' Compensation

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

C. Employee Health Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of twelve Mahoning County school districts. Rates are set through an annual calculation process. The Struthers City School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$1,176.78 for family coverage and \$490.69 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 \$10,512 reported in the internal service fund at June 30, 2010, 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
2009	\$14,079	21,634	25,188	\$10,525
2010	10,525	102,474	102,487	10,512

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 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, 2010, 2009 and 2008 were \$239,807, \$163,183, and \$153,344, respectively; 31.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B - State Teachers Retirement System

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

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

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, 2010, 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, 2010, 2009, and 2008, were \$1,083,676, \$1,054,542, and \$1,018,881, respectively; 82.3 percent has been

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2009, the latest information available, 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 2009 *Comprehensive Annual Financial Report* were available after December 4, 2009.

Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2010, 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 2010 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 2010, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$14,261, \$13,464 and \$15,194, respectively, 31.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation is 1.22 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 2010, 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, 2010, 2009 and 2008 were \$50,938, \$101,551 and \$93,255, respectively; 31.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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 under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2010, 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, 2010, 2009 and 2008 were \$83,360, \$81,119 and \$78,375 respectively; 82.3 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 14 - Other Employee Benefits

A. Compensated Absences

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

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 260 days for classified employees and 240 days for certified

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

Governmental-Type Activities	Outstanding 6/30/09	Additions	Deductions	Outstanding 6/30/10	Due in One Year
General Obligation Bonds					
1992 School Improvement Refunding Bonds:					
Current Interest Term Bonds	\$1,305,000	\$0	(\$200,000)	\$1,105,000	\$205,000
Unamortized Loss	(15,690)	0	2,897	(12,793)	0
<i>Total 1992 School Improvement Refunding Bonds</i>	<u>1,289,310</u>	<u>0</u>	<u>(197,103)</u>	<u>1,092,207</u>	<u>205,000</u>
2000 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	430,000	0	(210,000)	220,000	220,000
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	415,085	60,164	0	475,249	0
<i>Total 2000 Ohio School Facilities Bonds</i>	<u>3,270,182</u>	<u>60,164</u>	<u>(210,000)</u>	<u>3,120,346</u>	<u>220,000</u>
Total General Obligation Bonds	<u>4,559,492</u>	<u>60,164</u>	<u>(407,103)</u>	<u>4,212,553</u>	<u>425,000</u>
Other Long-Term Obligations:					
1998 Energy Conservation Note	160,600	0	(29,100)	131,500	30,500
Compensated Absences	1,451,262	129,558	(147,311)	1,433,509	143,351
Early Retirement Incentive	6,000	0	(6,000)	0	0
Total Other Long-Term Obligations	<u>1,617,862</u>	<u>129,558</u>	<u>(182,411)</u>	<u>1,565,009</u>	<u>173,851</u>
Total Long-Term Obligations	<u>\$6,177,354</u>	<u>\$189,722</u>	<u>(\$589,514)</u>	<u>\$5,777,562</u>	<u>\$598,851</u>

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

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,000. This difference, being reported as a deferral in the accompanying financial statements, is being charged to operations through fiscal year 2015 using the straight-line

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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><u>\$1,625,000</u></u>

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

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

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

The 2000 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$60,164 represents the accretion of discounted interest. The final maturity of these bonds is \$1,930,000.

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

The School District's overall legal debt margin was \$10,841,868 with an unvoted debt margin of \$145,989 at June 30, 2010. Principal requirements to retire general obligation debt outstanding at June 30, 2010, are as follows:

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$425,000	\$153,357	\$578,357	\$0	\$0	\$0
2012	215,000	139,778	354,778	105,623	129,377	235,000
2013	220,000	131,185	351,185	97,652	137,348	235,000
2014	230,000	122,070	352,070	97,868	137,132	235,000
2015	235,000	112,302	347,302	90,261	144,739	235,000
2016 - 2020	1,025,000	423,212	1,448,212	83,693	151,307	235,000
2021 - 2023	925,000	78,238	1,003,238	0	0	0
Total	\$3,275,000	\$1,160,142	\$4,435,142	\$475,097	\$699,903	\$1,175,000

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2011	\$30,500	\$6,536	\$37,036
2012	32,000	5,020	37,020
2013	33,600	3,429	37,029
2014	35,400	1,759	37,159
Total	\$131,500	\$16,744	\$148,244

Note 16 - Set-Asides

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

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

	Capital	
	Textbooks	Improvements
Set-Aside Reserve Balance as of June 30, 2009	(\$478,670)	\$0
Current Year Set-Aside Requirement	344,350	344,350
Qualifying Disbursements	(173,980)	(889,895)
Current year offsets	0	(129,226)
Total	(\$308,300)	(\$674,771)
Set-Aside Balance Carried Forward to Future Fiscal Years	(\$308,300)	\$0
Cash balance as of June 30, 2010	\$0	\$0

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

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 \$57,733 to ACCESS during fiscal year 2010. 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 2010, 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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010, the Struthers City School District paid \$64,848 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, 2010.

B. Litigation

At June 30, 2010, the School District was not party to any legal proceedings.

Note 20 - New Accounting Standards

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, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

In June of 2009, the GASB issued Statement No. 59, "Financial Instruments Omnibus". The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Statement No. 59 is not effective for the District until fiscal year 2011.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education.</i>						
Nutrition Cluster:						
National School Lunch Program		10.555	\$517,075	\$81,970	\$517,075	\$81,970
National School Breakfast Program		10.553	100,865		100,865	
Total Nutrition Cluster			617,940	81,970	617,940	81,970
Total U.S. Department of Agriculture			617,940	81,970	617,940	81,970
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education.</i>						
Special Education Cluster:						
Special Education Grants to States						
IDEA-B - 2008		84.027	-		2,110	
IDEA-B - 2009		84.027	46,241		78,473	
IDEA-B - 2010		84.027	373,652		429,593	
IDEA-B - 2010 ARRA		84.391	-		392,323	
Total Special Education Cluster			419,893		902,499	
Title I Part A Cluster:						
Grants to Local Educational Agencies						
(ESEA Title I) - 2008		84.010	-		300	
(ESEA Title I) - 2009		84.010	-		10,567	
(ESEA Title I) - 2010		84.010	395,788		456,132	
(ESEA Title I) - 2010 ARRA		84.389	-		237,095	
Total Title I Part A Cluster			395,788		704,094	
State Fiscal Stabilization Fund (SFSF)		84.394	671,676		410,903	
Education Technology		84.318	5,398		5,398	
Drug-Free Schools Grant - 2009		84.186	-		5,080	
Drug-Free Schools Grant - 2010		84.186	7,895		5,796	
Total Drug Free Schools Grant			7,895		10,876	
Title II-A Improving Teacher Quality - 2010		84.367	138,873		148,470	
Total Department of Education			1,639,523		2,182,240	
Totals			\$2,257,463	\$81,970	2,800,180	\$81,970

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, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Struthers City School District, Mahoning County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 30, 2011.

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

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

Dave Yost
Auditor of State

September 30, 2011



Dave Yost • Auditor of State

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

Struthers City School District
Mahoning County
99 Euclid 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 could directly and materially affect each of Struthers City School's major federal programs for the year ended June 30, 2010. 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 2010-01 and 2010-02 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowability and cost principles applicable to its Special Education Cluster (IDEA-B and IDEA-B ARRA) and Title I major federal programs. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Struthers City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified 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 2010-01 through 2010-03 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 management, the Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

September 30, 2011

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Allowable Cost

Finding Number	2010-01
CFDA Title and Number	Special Education Cluster/84.027, 84.391
Federal Award Number / Year	6B-SF-10
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-Compliance Finding, Questioned Cost and Material Weakness

34 CFR § 300.202 provides that a Local Education Agency (LEA)/School District may only use Federal funds under IDEA, Part B for the excess costs of providing special education and related services to children with disabilities. **34 CFR § 300.208** also provides that services and aid that **also** benefit nondisabled children may be provided for. The costs of special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a child with a disability in accordance with the IEP of the child, even if one or more nondisabled children benefit from these services.

Section 605 of the IDEA authorizes ODE to allow the use of IDEA funds, including IDEA Part B ARRA funds, for construction or alteration of facilities if ODE determines that the program would be improved by allowing funds to be used for those purposes. To be able to use IDEA funds for these costs, LEAs will need to obtain prior approval from the state. (See 2 CFR Part 225, Appendix B, 15.b.) Any construction or alteration of facilities must comply with Appendix A to part 36 of title 28, Code of Federal Regulations, the “Americans with Disabilities Accessibility Guidelines for Buildings and Facilities” or Appendix A of subpart 101-19.6, of title 41, Code of Federal Regulations the “Uniform Federal Accessibility Standards.” (34 CFR §300.718) LEAs also must comply with requirements in 34 CFR Part 76 regarding construction, including the requirements in 34 CFR §§75.600-75.617 that are incorporated by reference in 34 CFR §76.600. Additionally, if a state or LEA uses IDEA Part B ARRA funds for construction, it must comply with specific requirements relating to the use of American iron, steel and manufactured goods used in the project (ARRA section 1605), as well as the wage rate provisions of ARRA section 1606.

The District paid a company \$182,036 from Special Education Cluster ARRA grant monies for playground equipment and installation at the elementary school. Special Education Cluster ARRA grant monies were used to pay for the entire project. There is no evidence that the District obtained the required approval from ODE to use these funds for construction. Also, while there were funds budgeted under Capital Outlay/Instruction and Purchased Services/Facilities, these funds were not budgeted in areas applicable to expenditures for construction. Funds must have been budgeted under Capital Outlay/Facilities for such expenditures. Additionally, there is no documentation to support the allocation of the cost for this service to the Special Education Cluster as the playground is used by all of the students at the school and only has portions which were made accessible to handicapped children.

This has resulted in \$182,036 of federal questioned costs relating to the Title VI-B 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Official’s Response:

The Struthers City School District Board of Education at its July 21, 2009 regular meeting approved the district’s grant application of \$492,414 Title VI-B ARRA to utilize funds for the renovation of the Struthers Elementary School (SES) playgrounds for ADA compliance as well as the purchase of instructional technology and preschool services. An examination of this grant reveals that while the SES houses 33% of the district’s total school age population, 12% of this population is identified as handicapped having an IEP. The district utilized 37% of the grant funds to facilitate the access of these handicapped children to the entire playground not just their specific section which houses physically adaptive playground equipment. An application was filed by the district to the Ohio Department of Education to approve the utilization of funds for said construction project.

Furthermore, the district followed provision 34 CFR 300.208 which “provides that services and aid that **also** benefit nondisabled children may be provided for. The costs of special education and related services, and supplementary aids and services provided in a regular class or other education-related setting to a child with a disability in accordance with the IEP of the child, even if one or more nondisabled children benefit from these services”. Hence, the finding is unwarranted.

Auditor of State’s Conclusion:

The District failed to obtain prior Ohio Department of Education (ODE) approval for the Struthers Elementary playground construction project pursuant to 2 CFR Part 225, Appendix B, 15.b. (1), (2). ODE confirmed to us that a letter requesting authorization for use of the IDEA ARRA funds for construction was never received and ODE did not authorize this purchase. Additionally, the cost of the playground equipment allocated to the IDEA ARRA program was not proportionate based on the number of requisite IEPs.

Activities Allowed or Unallowed

Finding Number	2010-02
CFDA Title and Number	Special Education Cluster/84.027, 84.391, Title I Cluster/84.010, 84.389
Federal Award Number / Year	6B-SF-10, C1-S1-10
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Non-Compliance Finding, Questioned Cost and Material Weakness

2 CFR § 225, Appendix B, paragraph 8.h.(3) states that where employees are expected to work on a single cost objective a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There was a teacher's aide who was paid from Special Education Cluster funds, but whose service was not supported by time and effort documentation such as semi-annual certificates or time and effort logs supporting payroll expenditures of \$11,991. There were also teachers and support staff who were paid from Title I monies whose services were not supported by time and effort documentation in the amount of \$141,320. Failure to perform the certification could result in unallowable activities or costs to be charged to the grant.

This has resulted in \$11,991 of federal questioned costs relating to the Title VI-B grant monies and \$141,320 of questioned costs relating to Title I.

We recommend the District ensure Title I and Special Education Cluster teachers and support staff complete semi-annual certificates or time and effort logs in order to be in compliance with the requirements of the grant.

Official's Response:

A review of the Post Audit Grant Verification Forms by the district's fiscal officer revealed that a total of 3 personnel failed to complete or refused to sign said form. A breakdown reveals:

Title VI-B	1 out of 15	1 classified aide \$11,991
Title I	2 out of 9	2 certified teachers \$141,320
Title II-A	0 out of 3	
ED Jobs	0 out of 4	

	3 out of 31	A total of 10% of grant staff.

Finding Number	2010-03
CFDA Title and Number	Special Education Cluster/84.027, 84.391, Title I/84.010
Federal Award Number / Year	6B-SF-10, C1-S1-10
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

This lack of oversight and grant management procedures can and did result in expenditures being charged to grants which were questionable based on the grant agreements. We also noted that the Ohio Department of Education requested the District submit supporting documentation for the Project Cash Request (PCR) such as the FINSUM report. We also noted that the Comprehensive Continuous Improvement Program (CCIP) was late being submitted to ODE which delayed Federal funding to the District until October 2010 which could create a cash flow issue in the future.

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

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

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

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) *Internal control.* Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(4) *Budget control.* Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

(5) *Allowable cost.* Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

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

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

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Official's Response:

The District's administrative structure is comprised of (2) two central office administrators (Superintendent and Treasurer). The district did not employ a grant manager/coordinator but devised an administrative arrangement in which the duties/responsibilities were split between the district's central office administrators. The following overview opined by the Auditor of State's has accurately depicted these duties and responsibilities as follows: "Grants management is a shared responsibility between the Treasurer and the Superintendent for the District. The Superintendent completed the Comprehensive Continuous Improvement Program (CCIP) which provides the framework for planning of the grants while the Treasurer reviewed the terms of each grant and determined which expenditures met the required criteria for fulfillment of the grant requirements. After this initial review, the Treasurer signed the purchase order, certifying the availability of Federal funds and encumbered these funds in the system, reviewed the invoices from the vendors, completed all compliance reviews of grant requirements of vendors, filed quarterly reports for ARRA funding, and other periodic reports for the performance as required by the Federal Government. Further, the Treasurer completed project cash requests for reimbursement, reviewed matching requirements and was responsible to ensure that the District complied with period availability requirements." It is the contention of the district's fiscal officer that it is unwarranted to require of a district employing 13% (31 grant paid personnel out of 240) to undertake such a burden of additional administrative personnel cost when these grant funds are being fully utilized to fund services for economically disadvantage handicapped students.

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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code Section 5705.10(H), monies from any fund should be used only for purposes for which such fund was established.	Yes	Finding No Longer Valid
2009-002	<p>Noncompliance Finding/Questioned Cost</p> <p>2 CFR Part 225, Appendix A: C.1.j requires governments to adequately document costs allowable and unallowable under the A-133 Single Audit Act.</p> <p>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.</p>	Yes	Finding No Longer Valid
2009-003	<p>Noncompliance Finding/Questioned Cost</p> <p>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.</p> <p>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.</p>	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

STRUTHERS CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2012**