



**Auditor of State
Betty Montgomery**

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Struthers City School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2003, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Also, as reported in Note 2 H, the District changed its capitalization threshold for capital assets from \$500 to \$5,000 during the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

August 31, 2004

Struthers City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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, 2003. 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 2003 are as follows:

- In total, capital assets increased by \$11,704,832.
- Revenues for governmental activities totaled \$21,743,803 in 2003. Of this total, 86 percent consisted of general revenues while program revenues accounted for the balance of 14 percent.
- Program expenses totaled \$18,290,055. Instructional expenses made up 62 percent of this total while support services accounted for 28 percent.
- Outstanding general obligation bonded debt decreased 4 percent to \$6,581,022 from \$6,852,099 in 2003, due to refinancing the 1992 middle school improvement bonds.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole 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 nonmajor funds presented in total in one column. In the case of Struthers City School District, the general fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" 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.

Struthers City School District
Management's Discussion and Analysis
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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 causes 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. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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 2003 compared to 2002:

Struthers City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 1
 Net Assets
 Governmental Activities

	2003	2002
Assets		
Current and Other Assets	\$12,478,047	\$22,936,810
Capital Assets, Net of Depreciation	33,624,917	21,920,085
<i>Total Assets</i>	<u>46,102,964</u>	<u>44,856,895</u>
Liabilities		
Current and Other Liabilities	9,142,833	11,136,216
Long-Term Liabilities:		
Due Within One Year	440,248	388,088
Due in More Than One Year	7,729,126	7,995,582
<i>Total Liabilities</i>	<u>17,312,207</u>	<u>19,519,886</u>
Net Assets		
Invested in Capital Assets, Net of Debt	27,480,064	15,348,648
Restricted for:		
Capital Projects	2,751,723	10,796,069
Debt Service	1,363,238	1,150,934
Other Purposes	130,320	149,721
Unrestricted (Deficit)	<u>(2,934,588)</u>	<u>(2,108,363)</u>
<i>Total Net Assets</i>	<u>\$28,790,757</u>	<u>\$25,337,009</u>

Current assets decreased \$10,458,763. The majority of this decrease can be attributed directly to the State classroom facilities assistance program construction and resulting demolition of four former schools.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$18,733,483 or 86 percent of the total revenue. The most significant portion of the general revenue is grants and entitlements not restricted to specific programs. The remaining amount of revenue received was in the form of program revenues, which equated to \$3,010,320 or 14 percent.

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Struthers City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Table 2
 Governmental Activities

	2003
Revenues	
Program revenues:	
Charges for Services	\$496,252
Operating Grants, Contributions and Interest	2,434,256
Capital Grants and Contributions	79,812
<i>Total Program Revenues</i>	<i>3,010,320</i>
General revenues:	
Property Taxes	4,828,407
Grants and Entitlements not Restricted to Specific Programs	13,544,515
Investment Earnings	200,045
Miscellaneous	109,165
Gain on the Sale of Capital Assets	51,351
<i>Total General Revenues</i>	<i>18,733,483</i>
<i>Total Revenues</i>	<i>21,743,803</i>
Program Expenses	
Instruction:	
Regular	9,123,775
Special	1,532,875
Vocational	752,213
Adult/Continuing	6,342
Support services:	
Pupils	683,223
Instructional Staff	512,492
Board of Education	82,650
Administration	1,300,287
Fiscal	413,943
Business	55,962
Operation and Maintenance of Plant	1,503,000
Pupil Transportation	535,796
Central	74,922
Operation Non-Instructional Services	151,049
Food Service Operations	651,738
Extracurricular Activities	465,723
Interest and Fiscal Charges	444,065
<i>Total Program Expenses</i>	<i>18,290,055</i>
<i>Decrease in net assets</i>	<i>3,453,748</i>
Net Assets Beginning of Year	25,337,009
<i>Net Assets End of Year</i>	<i>\$28,790,757</i>

Struthers City School District
Management's Discussion and Analysis
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Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five years. In November of 1999, the School District successfully passed a .5 mill maintenance levy. The additional income generated by this levy will be dedicated to the maintenance needs of the School District over the next twenty-three years. A permanent improvement levy for maintenance expenses expired in January 2004 for 1.3 mills. This levy ran for twenty-eight years and generated \$89,447 in tax revenue per year.

Although the School District relies heavily upon unrestricted State foundation monies to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, the reliance upon grants and entitlements for governmental activities is crucial. Over 43 percent of expenses are directly supported by grants and entitlements. Local tax revenues support 22 percent, while investments and other miscellaneous type revenues support the remaining activity costs. Program revenues account for 33 percent of all governmental expenses.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	Total Cost of Services	Net Cost of Services
Program Expenses		
Instruction:		
Regular	\$9,123,775	\$8,411,198
Special	1,532,875	834,273
Vocational	752,213	744,562
Adult/Continuing	6,342	6,342
Support Services:		
Pupils	683,223	546,826
Instructional Staff	512,492	224,498
Board of Education	82,650	82,650
Administration	1,300,287	1,127,626
Fiscal	413,943	412,144
Business	55,962	55,962
Operation and Maintenance of Plant	1,503,000	1,496,987
Pupil Transportation	535,796	520,138
Central	74,922	67,225
Operation of Non-Instructional Services	151,049	27,978
Food Service Operations	651,738	54,827
Extracurricular Activities	465,723	222,434
Interest and Fiscal Charges	444,065	444,065
<i>Total</i>	\$18,290,055	\$15,279,735

Struthers City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Approximately 62 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 36 percent. The remaining amount of program expenses, 2 percent is budgeted to pay for other obligations of the School District such as interest and fiscal charges.

The School District's Funds

Information about the School District's major funds starts on page 16. The School District's major funds are accounted for using the modified accrual basis of accounting. The total revenues for governmental funds were \$21,614,516 and total expenditures were \$30,244,707. The net change in fund balance for the fiscal year was most significant in the general fund, a decrease of \$564,410 due to the use of the cash reserve for operating expenditures.

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 budgeted fund is the general fund.

During fiscal year 2003, the School District amended its general fund budget several times, however none were significant. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenditures but also provide flexibility for program based decision and management.

For the general fund, the actual budget basis revenue totaled \$13,179,227, which was higher than the final budget estimate of \$12,763,319. Actual budget basis expenditures totaled \$14,523,355 compared to the final budget estimate of \$14,577,673. The difference was primarily due to changes in property and liability insurance costs and staffing changes.

The School District's ending unencumbered budgetary balance was \$387,687, which was above the final budgeted amount of \$22,361.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$33,624,917 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks and library books. Table 4 shows fiscal year 2003 balances compared to fiscal year 2002:

Struthers City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

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

	2003	2002
Land	\$972,914	\$972,914
Construction in Progress	31,950	19,448,896
Land Improvements	439,511	456,322
Buildings and Improvements	27,465,258	917,942
Furniture, Fixtures and Equipment	3,981,299	116,257
Vehicles	444,566	0
Textbooks and Library Books	289,419	7,754
<i>Total Capital Assets</i>	\$33,624,917	\$21,920,085

All capital assets, except land, are reported net of depreciation. As one can see, an increase in capital assets during the fiscal year occurred in most categories. At the November 1999 election, the voters approved the issuance of bonds in a maximum amount of \$4,321,000 to pay for the local share of school construction under the State Classroom Facilities Assistance Program; those bonds were issued in November 2000. The school construction under that program included:

1. A new central elementary school (grades K to 4); 87,364 square feet; student capacity 734. Opened in August 2002.
2. A new high school (grades 9 to 12) (that "addition" essentially results in a new high school as only the fieldhouse portion of the existing high school will remain); 66,504 square feet; student capacity 619. Opened January 2003.
3. A new middle school (grades 5 to 8) addition and renovation of the original section of the middle school; the middle school (originally the 5th Street Elementary School) was originally constructed in 1929, had a major addition in 1955, and had an addition of 33,000 square feet made to it in 1993 to convert the middle school together with a new gymnasium and auditorium; 5,959 square feet; student capacity 650. Opened August 2003.
4. Demolition of the existing three elementary schools and the high school (except for the field house portion).

For more information about the School District's capital assets, see note 9 to the basic financial statements.

Struthers City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Debt

At June 30, 2003 the School District had \$6,889,222 in general obligation bonds and energy conservation notes outstanding. Table 5 summarizes the School District's long-term obligations outstanding.

Table 5
 Outstanding Long-Term Obligations at Fiscal Year End
 Governmental Activities

	2003	2002
1992 School Improvement Bonds	\$806,074	\$2,680,000
2000 Classroom Facilities Bonds	4,029,148	4,134,466
2001 Real Estate Acquisition Bonds	28,869	37,633
2003 School Improvement Bonds	1,716,931	0
Asbestos Removal	0	306
Energy Conservation Note	308,200	328,900
<i>Total</i>	<u>\$6,889,222</u>	<u>\$7,181,305</u>

The 1992 school improvement bonds were issued for renovation and improvements at Struthers Middle School. These bonds will be fully repaid in calendar year 2014. The 2000 classroom facilities bonds were issued to fund the School District's new buildings and will be fully retired in calendar year 2023. The energy conservation notes were issued for capital improvements under House Bill 264. Improvements were approved by the Ohio Department of Education for energy conservation measures resulting in operating cost savings.

The School District's legal debt margin was \$6,481,764 with an unvoted debt margin of \$131,506 at June 30, 2003. The School District maintains an A bond rating. For more information about the School District's debt, see note 14 to the basic financial statements.

Current Issues Affecting Financial Condition

The Board of Education and administration closely monitors 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

Externally, the State of Ohio was found by the Ohio Supreme court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

Struthers City School District
Management's Discussion and Analysis
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In general, it is expected that the decision would result in an increase in overall State funding for education.

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. With 22 percent of the taxes for the School District coming from local business and industry, one can see the significant impact this change would have on the School District and ultimately, the residential taxpayers.

As a result of the challenge mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

In summary, the Struthers City School District has committed itself to financial and educational excellence for many years to come.

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, at Struthers City School District, 99 Euclid Avenue, Struthers, Ohio 44471.

Struthers City School District

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$6,510,090
Cash and Cash Equivalents in Segregated Accounts	32,456
Cash and Cash Equivalents with Fiscal Agents	45,528
Accrued Interest Receivable	61
Accounts Receivable	4,561
Intergovernmental Receivable	172,971
Inventory Held for Resale	11,596
Materials and Supplies Inventory	1,325
Deferred Charges	71,814
Property Taxes Receivable	5,627,645
Nondepreciable Capital Assets	1,004,864
Depreciable Capital Assets, Net	<u>32,620,053</u>
<i>Total Assets</i>	<u>46,102,964</u>
Liabilities	
Accounts Payable	261,942
Contracts Payable	1,208,618
Retainage Payable	45,528
Accrued Wages and Benefits	1,473,069
Intergovernmental Payable	411,867
Matured Compensated Absences Payable	28,186
Matured Special Termination Benefits Payable	30,000
Deferred Revenue	4,888,246
Undistributed Monies	2,102
Accrued Interest Payable	95,850
State Operating Loan Payable	685,768
Claims Payable	11,657
Long-Term Liabilities:	
Due Within One Year	440,248
Due In More Than One Year	<u>7,729,126</u>
<i>Total Liabilities</i>	<u>17,312,207</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	27,480,064
Restricted for:	
Capital Projects	2,751,723
Debt Service	1,363,238
Other Purposes	130,320
Unrestricted (Deficit)	<u>(2,934,588)</u>
<i>Total Net Assets</i>	<u><u>\$28,790,757</u></u>

See accompanying notes to the basic financial statements

Struthers City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues				Net Revenue (Expense) and Change in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$9,123,775	\$91,326	\$553,185	\$68,066	(\$8,411,198)
Special	1,532,875	0	698,602	0	(834,273)
Vocational	752,213	0	7,651	0	(744,562)
Adult/Continuing	6,342	0	0	0	(6,342)
Support Services:					
Pupils	683,223	36,181	100,216	0	(546,826)
Instructional Staff	512,492	0	287,994	0	(224,498)
Board of Education	82,650	0	0	0	(82,650)
Administration	1,300,287	0	172,661	0	(1,127,626)
Fiscal	413,943	0	1,799	0	(412,144)
Business	55,962	0	0	0	(55,962)
Operation and Maintenance of Plant	1,503,000	0	6,013	0	(1,496,987)
Pupil Transportation	535,796	0	3,912	11,746	(520,138)
Central	74,922	0	7,697	0	(67,225)
Operation of Non-Instructional Services	151,049	0	123,071	0	(27,978)
Food Service Operations	651,738	144,196	452,715	0	(54,827)
Extracurricular Activities	465,723	224,549	18,740	0	(222,434)
Interest and Fiscal Charges	444,065	0	0	0	(444,065)
<i>Totals</i>	<u>\$18,290,055</u>	<u>\$496,252</u>	<u>\$2,434,256</u>	<u>\$79,812</u>	<u>(15,279,735)</u>

General Revenues

Property Taxes Levied for:

General Purposes	4,103,426
Debt Service	591,257
Capital Outlay	76,991
Other Purposes	56,733
Grants and Entitlements not Restricted to Specific Programs	13,544,515
Interest	200,045
Miscellaneous	109,165
Gain on Sale of Capital Assets	51,351

Total General Revenues 18,733,483

Change in Net Assets 3,453,748

Net Assets Beginning of Year - See Note 3 25,337,009

Net Assets End of Year \$28,790,757

See accompanying notes to the basic financial statements

Struthers City School District

Balance Sheet

Governmental Funds

June 30, 2003

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$814,523	\$1,227,255	\$3,578,550	\$885,296	\$6,505,624
Cash and Cash Equivalents:					
In Segregated Accounts	2,102	0	0	0	2,102
With Fiscal Agents	0	0	45,528	0	45,528
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	4,466	0	0	0	4,466
Accrued Interest Receivable	61	0	0	0	61
Accounts Receivable	4,561	0	0	0	4,561
Intergovernmental Receivable	33,555	0	0	139,416	172,971
Interfund Receivable	33,376	0	0	12,407	45,783
Inventory Held for Resale	0	0	0	11,596	11,596
Materials and Supplies Inventory	0	0	0	1,325	1,325
Property Taxes Receivable	4,672,673	838,968	0	116,004	5,627,645
<i>Total Assets</i>	<u>\$5,565,317</u>	<u>\$2,066,223</u>	<u>\$3,624,078</u>	<u>\$1,166,044</u>	<u>\$12,421,662</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$216,128	\$0	\$0	\$45,814	\$261,942
Contracts Payable	0	0	1,208,618	0	1,208,618
Retainage Payable	0	0	45,528	0	45,528
Accrued Wages and Benefits	1,245,531	0	0	227,538	1,473,069
Intergovernmental Payable	240,292	0	0	44,462	284,754
Interfund Payable	0	0	0	45,783	45,783
Matured Compensated Absences Payable	25,848	0	0	2,338	28,186
Matured Special Termination Benefits Payable	20,000	0	0	10,000	30,000
Deferred Revenue	4,706,228	838,968	0	197,956	5,743,152
Undistributed Monies	2,102	0	0	0	2,102
State Operating Loan Payable	685,768	0	0	0	685,768
<i>Total Liabilities</i>	<u>7,141,897</u>	<u>838,968</u>	<u>1,254,146</u>	<u>573,891</u>	<u>9,808,902</u>
Fund Balances					
Reserved for Encumbrances	413,128	0	1,007,997	248,985	1,670,110
Reserved for School Bus Purchase	4,466	0	0	0	4,466
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	(1,994,174)	0	0	0	(1,994,174)
Special Revenue Funds	0	0	0	(15,371)	(15,371)
Debt Service Fund	0	1,227,255	0	0	1,227,255
Capital Projects Funds	0	0	1,361,935	358,539	1,720,474
<i>Total Fund Balances</i>	<u>(1,576,580)</u>	<u>1,227,255</u>	<u>2,369,932</u>	<u>592,153</u>	<u>2,612,760</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,565,317</u>	<u>\$2,066,223</u>	<u>\$3,624,078</u>	<u>\$1,166,044</u>	<u>\$12,421,662</u>

See accompanying notes to the basic financial statements

Struthers City School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balances	\$2,612,760
 <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	33,624,917
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	740,788
Tuition and Fees	33,555
Intergovernmental	80,563
Total	854,906
Bond issuance costs will be amortized over the life of the bonds on the statement of net assets.	71,814
One internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	18,697
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(127,113)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(95,850)
Long-term liabilities, including bonds payable, compensated absences and energy conservation notes, are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(6,581,022)
Compensated Absences	(1,280,152)
Energy Conservation Notes	(308,200)
Total	(8,169,374)
<i>Net Assets of Governmental Activities</i>	\$28,790,757

See accompanying notes to the basic financial statements

Struthers City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$4,118,154	\$593,314	\$0	\$134,276	\$4,845,744
Intergovernmental	9,072,668	285,090	4,150,580	2,445,368	15,953,706
Interest	67,285	5,038	127,722	1,067	201,112
Tuition and Fees	68,467	0	0	9,538	78,005
Extracurricular Activities	0	0	0	224,549	224,549
Contributions and Donations	0	0	0	21,858	21,858
Charges for Services	201	0	0	144,196	144,397
Rentals	35,980	0	0	0	35,980
Miscellaneous	74,979	0	28,746	5,440	109,165
<i>Total Revenues</i>	<u>13,437,734</u>	<u>883,442</u>	<u>4,307,048</u>	<u>2,986,292</u>	<u>21,614,516</u>
Expenditures					
Current:					
Instruction:					
Regular	7,697,514	0	0	580,828	8,278,342
Special	885,640	0	0	634,770	1,520,410
Vocational	747,096	0	0	2,246	749,342
Adult/Continuing	0	0	0	6,342	6,342
Support Services:					
Pupils	548,190	0	0	128,330	676,520
Instructional Staff	170,765	0	0	316,288	487,053
Board of Education	78,376	0	0	0	78,376
Administration	1,127,146	1,989	0	165,102	1,294,237
Fiscal	403,580	15,283	0	1,500	420,363
Business	61,813	0	0	818	62,631
Operation and Maintenance of Plant	1,451,903	0	0	30,359	1,482,262
Pupil Transportation	499,457	0	0	3,480	502,937
Central	70,622	0	0	2,480	73,102
Operation of Non-Instructional Services	5,434	0	0	143,942	149,376
Food Service Operations	0	0	0	634,524	634,524
Extracurricular Activities	204,730	0	0	258,397	463,127
Capital Outlay	59,246	0	12,308,618	188,259	12,556,123
Debt Service:					
Principal Retirement	0	346,006	8,764	0	354,770
Interest and Fiscal Charges	40,717	301,357	1,788	0	343,862
Refunding Bond Issuance Costs	0	76,008	0	0	76,008
Payment to Refunded Bond Escrow Agent	0	35,000	0	0	35,000
<i>Total Expenditures</i>	<u>14,052,229</u>	<u>775,643</u>	<u>12,319,170</u>	<u>3,097,665</u>	<u>30,244,707</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(614,495)</u>	<u>107,799</u>	<u>(8,012,122)</u>	<u>(111,373)</u>	<u>(8,630,191)</u>
Other Financing Sources (Uses)					
Refunding Bonds Issued	0	1,750,000	0	0	1,750,000
Proceeds from Sale of Capital Assets	51,351	0	0	0	51,351
Payment to Refunded Bond Escrow Agent	0	(1,750,000)	0	0	(1,750,000)
Transfers In	0	0	0	6,104	6,104
Transfers Out	(1,266)	0	0	(4,838)	(6,104)
<i>Total Other Financing Sources (Uses)</i>	<u>50,085</u>	<u>0</u>	<u>0</u>	<u>1,266</u>	<u>51,351</u>
<i>Net Change in Fund Balances</i>	(564,410)	107,799	(8,012,122)	(110,107)	(8,578,840)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>(1,012,170)</u>	<u>1,119,456</u>	<u>10,382,054</u>	<u>702,260</u>	<u>11,191,600</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,576,580)</u>	<u>\$1,227,255</u>	<u>\$2,369,932</u>	<u>\$592,153</u>	<u>\$2,612,760</u>

See accompanying notes to the basic financial statements

Struthers City School District
*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, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$8,578,840)

*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 capital outlay exceeded depreciation in the current period.

Capital Outlay	12,556,123	
Depreciation	<u>(851,291)</u>	
 Total		 11,704,832

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

Property Taxes	(17,337)	
Tuition and Fees	13,321	
Intergovernmental	<u>81,952</u>	
 Total		 77,936

Other financing sources, such as proceeds of bonds, in the governmental funds increase long-term liabilities in the statement of net assets. (1,750,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,139,770

In the statement of activities, 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. 76,008

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service funds revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 942

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest	(49,396)	
Accretion	(44,682)	
Bond Issuance Costs	(4,194)	
Amortization of Accounting Loss	<u>(1,931)</u>	
 Total		 (100,203)

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(77,787)	
Pension Obligation	<u>(38,910)</u>	
 Total		 <u>(116,697)</u>

Change in Net Assets of Governmental Activities \$3,453,748

See accompanying notes to the basic financial statements

Struthers City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,856,568	\$3,856,568	\$3,911,865	\$55,297
Intergovernmental	8,666,891	8,666,891	9,040,722	373,831
Interest	76,950	76,950	67,224	(9,726)
Tuition and Fees	45,000	45,000	68,467	23,467
Contributions and Donations	8,000	8,000	0	(8,000)
Rentals	47,000	47,000	36,190	(10,810)
Miscellaneous	62,910	62,910	54,759	(8,151)
<i>Total Revenues</i>	12,763,319	12,763,319	13,179,227	415,908
Expenditures				
Current:				
Instruction:				
Regular	7,858,567	7,858,567	7,856,245	2,322
Special	870,102	870,102	869,031	1,071
Vocational	930,886	930,886	929,255	1,631
Support Services:				
Pupils	545,840	545,840	541,196	4,644
Instructional Staff	174,344	174,344	172,020	2,324
Board of Education	80,745	81,745	78,567	3,178
Administration	1,195,291	1,195,291	1,191,826	3,465
Fiscal	440,117	440,117	436,308	3,809
Business	60,246	60,246	58,796	1,450
Operation and Maintenance of Plant	1,503,163	1,503,163	1,500,192	2,971
Pupil Transportation	520,345	528,245	525,641	2,604
Central	68,739	68,239	67,273	966
Operation of Non-Instructional Services	17,367	11,167	9,447	1,720
Extracurricular Activities	228,921	226,721	205,174	21,547
Capital Outlay	83,000	83,000	82,384	616
<i>Total Expenditures</i>	14,577,673	14,577,673	14,523,355	54,318
<i>Excess of Revenues Under Expenditures</i>	(1,814,354)	(1,814,354)	(1,344,128)	470,226
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	148,879	148,879	51,351	(97,528)
Advances In	11,106	11,106	0	(11,106)
Transfers Out	(5,000)	(5,000)	(1,266)	3,734
<i>Total Other Financing Sources (Uses)</i>	154,985	154,985	50,085	(104,900)
<i>Net Change in Fund Balance</i>	(1,659,369)	(1,659,369)	(1,294,043)	365,326
<i>Fund Balance Beginning of Year</i>	1,268,224	1,268,224	1,268,224	0
Prior Year Encumbrances Appropriated	413,506	413,506	413,506	0
<i>Fund Balance End of Year</i>	\$22,361	\$22,361	\$387,687	\$365,326

See accompanying notes to the basic financial statements

Struthers City School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2003

	<u>Insurance</u>
Assets	
Cash and Cash Equivalents in Segregated Accounts	\$30,354
Liabilities	
Claims Payable	<u>11,657</u>
Net Assets	
Unrestricted	<u><u>\$18,697</u></u>

See accompanying notes to the basic financial statements

Struthers City School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Internal Service Fund
 For the Fiscal Year Ended June 30, 2003*

	Insurance
Operating Revenues	
Charges for Services	\$111,084
Operating Expenses	
Purchased Services	2,077
Claims	108,065
<i>Total Operating Expenses</i>	110,142
<i>Change in Net Assets</i>	942
<i>Net Assets Beginning of Year</i>	17,755
<i>Net Assets End of Year</i>	\$18,697

See accompanying notes to the basic financial statements

Struthers City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2003

	<u>Insurance</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$111,084
Cash Payments for Goods and Services	(2,077)
Cash Payments for Claims	<u>(109,007)</u>
<i>Equity in Pooled Cash and Cash Equivalents</i> <i>In Segregated Accounts Beginning of Year</i>	<u>30,354</u>
<i>Equity in Pooled Cash and Cash Equivalents</i> <i>In Segregated Accounts End of Year</i>	<u><u>\$30,354</u></u>

See accompanying notes to the basic financial statements

Struthers City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$37,306</u></u>
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Liabilities

Due to Students	27,533
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Undistributed Monies	<u>9,773</u>
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<i>Total Liabilities</i>	<u><u>\$37,306</u></u>
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See accompanying notes to the basic financial statements

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District

The Struthers City School District (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 82 non-certificated and 141 certified full-time teaching personnel and 14 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 2003 fiscal year was 2,099. 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 ensure that the 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 and student related activities of the School District.

Non-public Schools – Within the School District's boundaries, there are various non-public schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the treasurer of the School District, as directed by the non-public schools. These transactions are reported as a governmental activity 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 School District has no component units.

The School District participates in a shared risk pool and three jointly governed organizations. These organizations are presented in Notes 16 and 17 to the basic financial statements. These organizations are the Mahoning County Insurance Consortium, the Area Cooperative Computerized Educational Service System, the Mahoning County Career and the Technical Center and Ohio Schools' Council Association.

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

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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.

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. 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 on the face of the proprietary fund statements. 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 general fund is the School District's only major governmental fund:

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows and are classified as enterprise or internal service. The School District only has an 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 claims of the School District's employees.

Fiduciary Fund Types 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 only fiduciary funds are agency funds. The School District's agency funds account for a college scholarship program and student activities.

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 (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis 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 value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 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, 2003, but which were levied to finance fiscal year 2004 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

E. Cash and Cash Equivalents

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

The emergency school building capital projects fund had expended more than its equity interest in the pooled bank account at June 30, 2003. The general fund made an advance to this fund to eliminate negative cash balances. The general fund has an interfund receivable for the amount advanced while the fund with the negative cash balance has an interfund payable for the same amount on the financial statements.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest-bearing depository accounts are presented on the financial statements as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury.

The School District uses an escrow agent to hold retainage on construction contracts. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agents" and represents deposits.

During fiscal year 2003, investments were limited to STAROhio and repurchase agreements. Repurchase agreements are reported at cost. 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, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$67,285 which includes \$42,048 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 were purchased by the School District are presented on the financial statements as cash equivalents.

F. Inventory

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include unexpended resources restricted for the purchase of buses.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

H. Capital Assets

All capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed 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

I. Interfund Assets and Liabilities

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

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 employer will compensate the employees for the benefits through time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, by those employees who are eligible to receive termination benefits and by those employees who are expected to become eligible in the future. The School District reports a liability for accumulated unused sick leave for all employees who have ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

Under Ohio law, a debt retirement fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability amount to the general fund, with principal and interest payments on the operating loan being recorded in the fund which received the loan proceeds. To comply with GAAP reporting requirements, the School District's debt retirement fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Activity

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

M. Fund Balance Reserves

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

N. 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 the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations, extracurricular activities and grants.

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

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

O. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method.

P. Deferred Loss on Refunding

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

Q. 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.

R. 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.

S. Budgetary Data

All funds, other than agency fund, 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 set 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 amended certificate that was in effect at the time the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 3 - Change in Accounting Principle and Restatement of Prior Year Fund Balance

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as requires supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of the Statement No. 41 did not affect the presentation of the budgetary statements of the School District.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Restatement of Fund Balance It was determined that enterprise funds should be reclassified and reported as special revenue funds. The new standards for reporting fund obligations for compensated absences in Interpretation 6 also caused changes in previously reported fund balances. These restatements had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

	General	Bond Retirement	Classroom Facilities	Nonmajor	Total
Fund Balances, June 30, 2002	(\$980,408)	\$1,119,456	\$10,382,054	\$930,852	\$11,451,954
Fund Reclassification	11,000	0	0	(219,988)	(208,988)
Interpretation No. 6					
Compensated Absences	(42,762)	0	0	(8,604)	(51,366)
Adjusted Fund Balances, June 30, 2002	<u>(\$1,012,170)</u>	<u>\$1,119,456</u>	<u>\$10,382,054</u>	<u>\$702,260</u>	11,191,600
GASB 34 Adjustments:					
Capital Assets					21,920,085
Internal Service Fund					17,755
Pension Obligations					(88,203)
Accrued Interest Payable					(97,528)
Long-Term Liabilities:					
Compensated Absences					(1,202,365)
General Obligation Bonds					(6,852,099)
Asbestos Removal					(306)
Energy Conservation Note					(328,900)
Long-Term (Deferred) Assets					<u>776,970</u>
Governmental Activities Net Assets, June 30, 2002					<u><u>\$25,337,009</u></u>

Note 4 - Accountability and Compliance

A. Accountability

Fund balance at June 30, 2003, included the following individual fund deficits:

General Fund	\$1,576,580
<i>Special Revenue Funds:</i>	
Food Service	6,889
Auxiliary Services	2,399
Disadvantaged Pupil Impact Aid	87,482
Title VI-B	15,378
Title I	94,486
Title VI	12,415
Reducing Class Size	18,535

The general fund concluded fiscal year 2003 with a deficit balance of \$1,576,580. The deficit resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities.

The special revenue fund deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

B. Legal Compliance

The following funds had expenditures plus encumbrances in excess of final appropriations in violation of Section 5705.41 (B), Ohio Revised Code:

	Expenditures Plus Encumbrances	Appropriations	Excess
Disadvantaged Pupil Impact Aid	\$624,685	\$622,061	\$2,624
Title I	584,844	577,973	6,871
Reducing Class Size	137,686	89,596	48,090
Miscellaneous Federal Grants	73,379	71,428	1,951
School Net Tech Equity	33,215	27,817	5,398

Although these violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, 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 basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. State statute permits short-term note principal and interest to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

Struthers City School District
Notes to the Basic Financial Statements
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The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$564,410)
Revenue Accruals	(11,501)
Allocation of Revenue for Debt	
Service Payment	(247,006)
Expenditure Accruals	(270,537)
Principal Retirement	206,289
Interest and Fiscal Charges	40,717
Encumbrances	<u>(447,595)</u>
Budget Basis	<u><u>(\$1,294,043)</u></u>

Note 6 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 School District's 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 as savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 deposits 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, by eligible securities pledged by the financial institution, as security for repayment by surety company, bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year-end, the School District had \$3,500 in undeposited cash which is included on the balance sheet as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Repurchase Agreements".

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$3,257,073 and the bank balance was \$3,027,362. Of the bank balance, \$299,999 was covered by federal depository insurance and \$2,727,363 was covered by specific pledged collateral or pooled collateral. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposits of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$3,203,707	\$3,203,707	\$3,203,707
STAROhio		161,105	161,105
Total Investments		\$3,364,812	\$3,364,812

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No.9	\$6,625,385	\$0
Cash on Hand	(3,500)	0
Repurchase Agreement	(3,203,707)	3,203,707
STAROhio	(161,105)	161,105
GASB Statement No. 3	\$3,257,073	\$3,364,812

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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.

Struthers City School District
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Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. There was no amount available to the School District as an advance at June 30, 2003.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$113,886,560	86.15 %	\$114,766,370	87.27 %
Public Utility Personal	7,419,180	5.61	8,004,870	6.09
Tangible Personal Property	10,886,750	8.24	8,734,660	6.64
Total	\$132,192,490	100.00 %	\$131,505,900	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$68.20		 \$68.20	

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 8 – Receivables

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), 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 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:

	Amounts
Title VI-B Grant	\$80,563
Food Service	57,464
Ohio Department of Education	33,555
Eisenhower Grant	1,389
<i>Total Intergovernmental Receivable</i>	\$172,971

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance 6/30/2002	Additions	Deductions	Balance 6/30/2003
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$972,914	\$0	\$0	\$972,914
Construction in Progress	19,448,896	495,014	(19,911,960)	31,950
<i>Total Non-Depreciated Capital Assets</i>	20,421,810	495,014	(19,911,960)	1,004,864
<i>Capital Assets being Depreciated:</i>				
Land Improvements	768,172	0	0	768,172
Buildings and Improvements	7,011,038	27,252,440	(3,768,131)	30,495,347
Furniture, Fixtures and Equipment	4,963,895	3,909,334	(2,741,037)	6,132,192
Vehicles	655,562	314,361	(84,136)	885,787
Textbooks and Library Books	444,566	496,934	(444,566)	496,934
<i>Total Capital Assets being Depreciated</i>	13,843,233	31,973,069	(7,037,870)	38,778,432
Less Accumulated Depreciation:				
Land Improvements	(311,850)	(16,811)	0	(328,661)
Buildings and Improvements	(6,093,096)	(705,124)	3,768,131	(3,030,089)
Furniture, Fixtures and Equipment	(4,847,638)	(44,292)	2,741,037	(2,150,893)
Vehicles	(647,808)	(32,696)	84,136	(596,368)
Textbooks and Library Books	(444,566)	(52,368)	444,566	(52,368)
<i>Total Accumulated Depreciation</i>	(12,344,958)	(851,291) *	7,037,870	(6,158,379)
<i>Total Assets being Depreciated, Net</i>	1,498,275	31,121,778	0	32,620,053
<i>Governmental Activities Capital Assets, Net</i>	\$21,920,085	\$31,616,792	(\$19,911,960)	\$33,624,917

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$768,707
Vocational	1,600
Support Services:	
Instructional Staff	35,036
Board of Education	3,770
Pupil Transportation	32,696
Food Service Operations	9,482
Total Depreciation Expense	<u><u>\$851,291</u></u>

Note 10 - 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 2003, the School District contracted with the Indiana Insurance Company for property insurance with a \$1,000 deductible. Professional liability is protected by the Indiana Insurance Company with a \$3,000,000 aggregate limit.

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

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

\$10,000 performance bonds are maintained for both the board president and superintendent. A \$20,000 performance bond is maintained for the treasurer. A \$25,000 per position blanket bond is maintained for all other employees. All performance bonds are maintained by the Hartford Insurance Company, and the blanket bond is maintained by the Indiana Insurance Company.

B. Employee Health Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Struthers City School District pays a monthly contribution which is placed in a common fund from which claims payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$1,062.95 for family coverage and \$433.49 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,

Struthers City School District
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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 \$8.00 for family vision coverage or \$3.50 for single vision coverage per employee per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$11,657 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims 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 fund's claims liability amount during fiscal years 2002 and 2003 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$136,537	\$91,610	\$215,548	\$12,599
2003	12,599	108,065	109,007	11,657

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statue 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$151,655, \$82,666 and \$61,605 respectively; 52.72 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002 and 2001 were \$695,571, \$625,179 and \$581,161 respectively; 74.67 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$7,291 made by the School District and \$3,152 made by the plan members.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$73,218 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$14,500. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$142,178.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 12- Note Debt

The School District's note activity for the fiscal year ended June 30, 2003, is as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
<i>General Fund</i>				
State Operating Loan 5.10%	\$892,057	\$0	\$206,289	\$685,768

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

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

Fiscal year Ending June 30	State Operating Loan	
	Principal	Interest
2004	\$217,060	\$29,247
2005	228,392	18,614
2006	240,316	6,647
<i>Total</i>	\$685,768	\$54,508

Note 13 - Other Employee Benefits

A. Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 260 days for certified and classified employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 60 days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS and must also have ten years of service with the School District.

B. Insurance

The School District provides life insurance to its employees. Coverage is equal to the employee's salary (rounded to nearest thousand dollars). The maximum amount of coverage is \$50,000. Life insurance coverage is provided through the Canada Life Insurance Company.

C. Early Retirement Incentive

The School District Board of Education offered employees participation in a retirement incentive program. Eligible full-time certificated employees who retire at the end of a school year may elect to

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

receive a lump sum payment of \$11,000. The bonus will be paid in two installments, one half in the second pay of August of the year following retirement and the remaining one half in the second pay of January of the following year.

Note 14 - Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
1992 School Improvement Bonds			
Current Interest Serial Bonds	3.5% to 5.9%	\$1,845,000	2003
Capital Appreciation Bonds	6.3% to 6.6%	204,501	2004 - 2007
Current Interest Term Bonds	6.50%	1,750,000	2008 - 2015
2000 Classroom Facilities Bonds			
Current Interest Serial Bonds	4.35% to 7.40%	1,770,000	2003 - 2011
Capital Appreciation Bonds	6.85% to 7.00%	475,097	2012 - 2016
Current Interest Term Bonds	5.50%	1,950,000	2017 - 2023
2001 Real Estate Acquisition Bonds	4.75%	46,000	2003 - 2006
2003 School Improvement Refunding Bonds	1.90% to 4.30%	1,750,000	2003 - 2015
Asbestos Removal	0.00%	45,306	2003
1998 Energy Conservation Note	4.97%	373,600	2003 - 2014

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	Principal			Principal	
	Outstanding 6/30/02	Additions	Deductions	Outstanding 6/30/03	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
1992 School Improvement Bonds					
Current Interest Serial Bonds	\$175,000	\$0	\$175,000	\$0	\$0
Capital Appreciation Bonds	204,501	0	0	204,501	59,476
Accretion on Capital Appreciation Bonds	550,499	51,074	0	601,573	130,524
Current Interest Term Bonds	1,750,000	0	1,750,000	0	0
<i>Total 1992 School Improvement Bonds</i>	<u>2,680,000</u>	<u>51,074</u>	<u>1,925,000</u>	<u>806,074</u>	<u>190,000</u>

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03	Amounts Due in One Year
2000 Classroom Facilities Bonds					
Current Interest Serial Bonds	\$1,650,000	\$0	\$150,000	\$1,500,000	\$160,000
Capital Appreciation Bonds	475,097	0	0	475,097	0
Accretion on Capital Appreciation Bonds	59,369	44,682	0	104,051	0
Current Interest Term Bonds	1,950,000	0	0	1,950,000	0
<i>Total 2000 School Improvement Bonds</i>	<u>4,134,466</u>	<u>44,682</u>	<u>150,000</u>	<u>4,029,148</u>	<u>160,000</u>
<i>2001 Real Estate Acquisition Bonds</i>	<u>37,633</u>	<u>0</u>	<u>8,764</u>	<u>28,869</u>	<u>9,180</u>
2003 School Improvement Refunding Bonds	0	1,750,000	0	1,750,000	15,000
Unamortized Loss	0	(35,000)	(1,931)	(33,069)	0
<i>Total 2003 School Improvement Bonds</i>	<u>0</u>	<u>1,715,000</u>	<u>(1,931)</u>	<u>1,716,931</u>	<u>15,000</u>
<i>Total General Obligation Bonds</i>	6,852,099	1,810,756	2,081,833	6,581,022	374,180
Asbestos Removal	306	0	306	0	0
Energy Conservation Note	328,900	0	20,700	308,200	21,700
Compensated Absences	1,202,365	152,838	75,051	1,280,152	44,368
<i>Total Governmental Activities</i>					
<i>Long-term Liabilities</i>	<u>\$8,383,670</u>	<u>\$1,963,594</u>	<u>\$2,177,890</u>	<u>\$8,169,374</u>	<u>\$440,248</u>

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

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,000. This difference, being reported as a deferral in the accompanying financial statements, is being charged to operations through the fiscal year 2015 using the straight-line method. The 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, 1992, the School District issued \$3,799,501 in voted general obligation bonds for renovations at the Struthers City Schools. The bonds were issued for a fourteen year period.

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

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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:

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

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

The term bonds maturing after December 1, 2011 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School 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.

Redemption Period	Redemption Price
December 1, 2010 through November 30, 2011	101.00%
December 1, 2011 and thereafter	100.00

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

The 1992 and 2000 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$95,756 represents the accretion of discounted interest. The final maturity of these bonds is \$1,930,000.

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

The school improvement bonds will be paid from the bond retirement debt service fund. Compensated absences will be paid from the general and food service, auxiliary services, disadvantaged pupil impact aid, Title I, class size reduction and miscellaneous federal grants special revenue funds.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

The School District's overall debt margin was \$6,481,764 with an unvoted debt margin of \$131,506 at June 30, 2003. Principal and interest requirements to retire the general obligation bonds and asbestos removal loans follow:

General Obligation Bonds						
Fiscal Year	Current Interest		Capital Appreciation		Current Interest	
	Serial Bonds		Bonds		Term Bonds	
Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$184,180	\$65,571	59,476	130,524	\$0	\$0
2005	189,616	65,218	53,741	136,259	0	0
2006	200,073	65,042	48,560	141,440	0	0
2007	195,000	64,575	42,724	142,276	0	0
2008-2012	1,900,000	259,867	105,623	129,377	0	0
2013-2017	610,000	47,072	369,474	570,526	235,000	100,787
2018-2022	0	0	0	0	1,390,000	288,475
2023	0	0	0	0	325,000	8,938
<i>Total</i>	<u>\$3,278,869</u>	<u>\$567,345</u>	<u>\$679,598</u>	<u>\$1,250,402</u>	<u>\$1,950,000</u>	<u>\$398,200</u>

Energy		
Fiscal Year	Conservation Note	
Ending June 30	Principal	Interest
2004	\$21,700	\$15,318
2005	22,800	14,239
2006	23,900	13,106
2007	25,100	11,918
2008-2012	145,700	39,568
2013-2014	69,000	5,188
<i>Total</i>	<u>\$308,200</u>	<u>\$99,337</u>

Note 15 - Interfund Transactions

A. Interfund Transfers

Transfers To	Transfers From		
	General	Emergency Building Repair	Total
Other Governmental Funds:			
Permanent Improvement	0	4,838	4,838
Athletic	530	0	530
Gifted Education	736	0	736
Total	<u>\$1,266</u>	<u>\$4,838</u>	<u>\$6,104</u>

The general fund transfer to the athletic special revenue fund was to provide uniforms for the newly formed bowling club team. The general fund transfer to the gifted education special revenue fund was to

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

offset the difference between what was estimated to be received in grant monies and what was actually received. The emergency building repair capital projects fund transfer to the permanent improvement capital projects fund was to repay the proportionate share of money contributed that was overestimated.

B. Interfund Balance

Interfund Payable	Interfund Receivable		
	General	Summer Intervention	Total
Nonmajor Special Revenue Funds:			
Public School Support	\$717	\$0	\$717
Title VI	8	12,407	12,415
Food Service	16,285	0	16,285
Title I	16,366	0	16,366
<i>Total All Funds</i>	<u>\$33,376</u>	<u>\$12,407</u>	<u>\$45,783</u>

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The interfund payable balances in the title VI and food service special revenue funds resulted from negative cash balances covered by the general fund.

Note 16 - Shared Risk Pool

The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenue are generated from charges for services. To obtain the financial information write to Mahoning County Insurance Consortium, 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Note 17 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS) is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based on a per pupil charge. The School District contributed \$38,654 to ACCESS during fiscal year 2003. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 districts, and one representative from each of the two city school districts. During fiscal year 2003, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

C. Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2003, the School District paid \$650 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- Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2003.

B. Litigation

The Struthers City School District is not currently party to any legal proceedings.

Note 19 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Struthers City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 20 - 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, capital acquisition, buses and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2002	(\$320,295)	\$0
Current Year Set-Aside Requirement	273,170	273,170
Current Year Offsets	0	(187,037)
Qualifying Disbursements	(360,853)	(385,683)
Totals	(\$407,978)	(\$299,550)
Set-Aside Reserve Balance as of June 30, 2003		
Carried Forward to Future Fiscal Years	(\$407,978)	\$0
Cash Balance carried forward to Fiscal Year 2004	\$0	\$0

The School District has qualifying disbursements and offsets during the fiscal year that reduced the textbooks and the capital improvements set-aside amounts below zero. The negative set-aside balance for the textbooks may be used to reduce the set-aside requirement of future years. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$32,453		\$32,453
National School Breakfast Program		10.553	\$54,997		\$54,997	
National School Lunch Program		10.555	285,891		285,891	
Total Department of Agriculture - Nutrition Cluster			<u>340,888</u>	<u>32,453</u>	<u>340,888</u>	<u>32,453</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States - Literacy Interg.	6B-SF-02	84.027	40,620		40,620	
Special Education Grants to States - Literacy	6B-SF-03	84.027	14,217		31,401	
Handicapped State Grants - Title VI-B	6B-SF-02	84.027	7,959		8,755	
	6B-SF-03	84.027	215,119		193,949	
Total Special Education Cluster			277,915		274,725	
Educationally Deprived Children Local	C1-S1-02	84.010	25,388		37,541	
Educational Agencies - Title I	C1-S1-03	84.010	543,787		515,015	
Total			569,175		552,556	
Drug Free Schools and Communities	DR-S1-02	84.186			6,241	
	DR-S1-03	84.186	15,309		10,740	
Total			15,309		16,981	
Baldrige Grant	G2-S4-02	84.276			12,350	
Goals 2000 Family & School	G2-S4-00	84.276			739	
Goals 2000 Continuous Improvement	G2-S4-01	84.276			397	
					13,486	
Dwight D. Eisenhower Professional Development Grant	MS-S1-00	84.318			38	
	MS-S1-02	84.318			602	
	MS-S1-03	84.318	13,487		1,200	
Total			13,487		1,840	
Title VI - Innovative Education Program	C2-S1-02	84.298			4,958	
	C2-S1-03	84.298	13,651		13,659	
Total			13,651		18,617	
Advanced Placement Program	AV-S1-03	84.330	250			
Title VI - R	TR-S1-02	84.340			35	
	TR-S1-03	84.340	137,651		137,651	
Total			137,651		137,686	
Assistive Technology Infusion	AT-S2-03	84.352A	11,177		10,713	
	AT-S3-02	84.352A	11,302		9,392	
			22,479		20,105	
Total Department of Education			<u>1,049,917</u>		<u>1,035,996</u>	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>passed through Ohio Department of MRDD</i>						
Community Alternative Funding System		93.778	44,939		52,139	
Totals			<u><u>\$1,435,744</u></u>	<u><u>\$32,453</u></u>	<u><u>\$1,429,023</u></u>	<u><u>\$32,453</u></u>

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

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated August 31, 2004, wherein we noted the District adopted Government Accounting Standards Board (GASB) Statement No. 34 and increased its capitalization threshold for capital assets from \$500 to \$5,000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 31, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Struthers City School District
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 31, 2004



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Struthers City School District, Mahoning County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated August 31, 2004.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal program. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

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

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 31, 2004

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE



**Auditor of State
Betty Montgomery**

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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2004**