



Mary Taylor, CPA
Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2007**

Local Government Services Section

Struthers City School District
Mahoning County

Table of Contents

Title	Page
Table of Contents	1
Certification	2
Independent Accountant's Report	3
Statement of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2004 through 2006 Actual; Fiscal Year Ending June 30, 2007 Forecasted	4
Summary of Significant Forecast Assumptions and Accounting Policies	5



Mary Taylor, CPA
Auditor of State

Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

Board of Education
Struthers City School District
99 Euclid Avenue
Struthers, Ohio 44471

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Struthers City School District, Mahoning County, Ohio, and issued a report dated May 4, 2007. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2007 of \$866,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2008 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2007.

MARY TAYLOR, CPA
Auditor of State

A handwritten signature in black ink that reads "Peter R. Sorem".

Peter R. Sorem
Chief of Local Government Services

May 23, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us



Mary Taylor, CPA

Auditor of State

Board of Education
Struthers City School District
99 Euclid Avenue
Struthers, Ohio 44471

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Struthers City School District for the fiscal year ending June 30, 2007. The Struthers City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Struthers City School District for the fiscal years ended June 30, 2004, 2005 and 2006 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 4, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDING JUNE 30, 2004 THROUGH 2006 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2007 FORECASTED
GENERAL FUND

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Forecasted
Revenues				
General Property Tax	\$3,503,000	\$3,633,000	\$3,660,000	\$4,118,000
Tangible Personal Property Tax	517,000	449,000	528,000	459,000
Unrestricted Grants-in-Aid	8,915,000	9,347,000	9,462,000	9,394,000
Restricted Grants-in-Aid	744,000	761,000	668,000	643,000
Property Tax Allocation	562,000	555,000	650,000	873,000
All Other Revenues	194,000	220,000	742,000	1,179,000
<i>Total Revenues</i>	<u>14,435,000</u>	<u>14,965,000</u>	<u>15,710,000</u>	<u>16,666,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	500,000	850,000	0	0
Solvency Assistance Advance	0	1,907,000	0	0
Advances In	0	0	37,000	0
<i>Total Other Financing Sources</i>	<u>500,000</u>	<u>2,757,000</u>	<u>37,000</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>14,935,000</u>	<u>17,722,000</u>	<u>15,747,000</u>	<u>16,666,000</u>
Expenditures				
Personal Services	8,844,000	9,028,000	8,648,000	8,567,000
Employees' Retirement/Insurance Benefits	3,650,000	3,825,000	3,605,000	3,294,000
Purchased Services	2,164,000	1,938,000	1,877,000	2,296,000
Supplies and Materials	545,000	339,000	228,000	489,000
Capital Outlay	434,000	27,000	56,000	50,000
Debt Service:				
Principal - State Loan	217,000	228,000	240,000	0
Principal - Solvency Assistance Advance	0	0	954,000	953,000
Principal - Energy Conservation Notes	22,000	23,000	25,000	25,000
Principal - Tax Anticipation Note	500,000	850,000	0	0
Interest	47,000	48,000	19,000	12,000
Other Objects	193,000	150,000	120,000	220,000
<i>Total Expenditures</i>	<u>16,616,000</u>	<u>16,456,000</u>	<u>15,772,000</u>	<u>15,906,000</u>
Other Financing Uses				
Operating Transfers Out	5,000	5,000	14,000	0
<i>Total Expenditures and Other Financing Uses</i>	<u>16,621,000</u>	<u>16,461,000</u>	<u>15,786,000</u>	<u>15,906,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(1,686,000)</u>	<u>1,261,000</u>	<u>(39,000)</u>	<u>760,000</u>
Cash Balance (Deficit) July 1	<u>738,000</u>	<u>(948,000)</u>	<u>313,000</u>	<u>274,000</u>
Cash Balance (Deficit) June 30	<u>(948,000)</u>	<u>313,000</u>	<u>274,000</u>	<u>1,034,000</u>
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	165,000	148,000	123,000	136,000
Reservations of Fund Balance for:				
Capital and Maintenance	0	150,000	0	0
Bus Purchase	2,000	11,000	18,000	32,000
Total Encumbrances and Reserves of Fund Balance	<u>167,000</u>	<u>309,000</u>	<u>141,000</u>	<u>168,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>(\$1,115,000)</u>	<u>\$4,000</u>	<u>\$133,000</u>	<u>\$866,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See accountants report

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Note 1 – The School District

The Struthers City School District (School District) is located in Mahoning County and encompasses all of the City of Struthers and the area extending roughly five miles around the City. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates five instructional buildings, an administrative building and a bus garage. The School District is staffed by 62 non-certified and 145 certificated and 8 administrative personnel who provide services to 1,931 students and other community members.

Note 2 - Nature of the Forecast

This financial forecast presents, to the best of the Struthers City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of May 4, 2007, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance fund, disadvantaged pupil impact aid (DPIA) fund and general fund supported debt are included in the general fund.

Note 4 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget (non-GAAP) basis of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

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

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations or other government units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Mahoning County Auditor, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Struthers City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, manufactured homes and tangible personal property used in businesses which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Mahoning County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2006 (the collection year) for real and public utility property taxes represents collections of 2005 taxes (the tax year). Property tax payments received during calendar year 2006 for tangible personal property (other than public utility property) are for calendar year 2006 taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "property tax allocation". Beginning in tax year 2005, collection year 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property. The change increased real property taxes collected against commercial and industrial real property and decreased property tax allocation revenue.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

The forecast excludes the receipt of any advances against fiscal year 2008 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted fund balance may be increased to the extent advances are received prior to June 30, 2007, and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2007.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the General Fund, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$3.90
Continuing Operating	1969	n/a	8.40
Continuing Operating	1970	n/a	5.30
Continuing Operating	1972	n/a	3.90
Continuing Operating	1972	n/a	3.30
Continuing Operating	1973	n/a	4.20
Continuing Operating	1981	n/a	5.00
Continuing Operating	1984	n/a	4.70
Continuing Operating	1993	n/a	5.00
Continuing Operating	1996	n/a	10.00
Five Year Operating	2006	2012	6.90
Total Tax Rate			\$60.60

The School District also has levies for bonded debt and school facilities maintenance totaling \$4.30 per \$1,000 of assessed valuation. The School District's total rate is \$64.90 per \$1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. For all voted levies except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal or public utility personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the General Fund, the effective residential and agricultural real property tax rate is \$30.85 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$41.67 per \$1,000 of assessed valuation for collection year 2007.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amount shown in the revenue section of the forecast schedule represents gross property tax revenue and is based upon information provided by the Mahoning County Auditor. The School District anticipates an increase of \$458,000 from the prior fiscal year due to one half years collection on the new 6.9 mill current operating levy passed by the voters at the May 2006 election.

Tangible Personal Property Tax – Tangible personal property tax is levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on business inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, House Bill 66 will phase out by 25 percent each year tangible personal property tax on most business inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase out periods addressed above. No tangible personal property taxes will be levied or collected in calendar year 2009 from general business taxpayers (except telephone companies whose last year to pay tangible personal property tax is 2010). Most new manufacturing machinery and equipment that would have been first taxable in tax year 2006 and thereafter will not be subject to any tangible personal property tax. The School District, based on the last year of collections before the phase out period, will lose approximately \$517,000 annually when the tangible personal property tax is completely phased out in 2009. The State of Ohio will reimburse the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below).

Tangible personal property tax revenues include the actual October 2006 settlement and the estimated June 2007 personal property tax settlement. The decrease in revenue for the forecast period compared to the prior fiscal year is due to the phase out of tangible personal property taxes.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid represent State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid and excess cost supplement, which are provided to address certain policy issues or correct flaws in formula aid, are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The regional cost of doing business factor is being phased out over a three-year period through fiscal year 2008. The per pupil foundation level is set by the State Legislature.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Historically, per pupil amounts has increased 2.2 percent since 2004. The per pupil foundation level for fiscal years 2004 through 2007 is as follows:

Fiscal Year	Per Pupil Foundation Level
2004	\$5,058
2005	5,169
2006	5,283
2007	5,403

The anticipated unrestricted grants-in-aid for fiscal year 2007 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the February school foundation statement for fiscal year 2007 and the amounts for the last three fiscal years are as follows:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecasted Fiscal Year 2007	Variance
Formula Aid	\$7,301,000	\$7,278,000	\$7,285,000	\$6,834,000	(\$451,000)
Categorical Funding	558,000	611,000	714,000	747,000	33,000
Equity Aid	102,000	53,000	0	0	0
Transportation	314,000	272,000	284,000	288,000	4,000
Parity Aid	792,000	1,096,000	1,163,000	1,091,000	(72,000)
Reappraisal Guarantee	0	0	0	505,000	505,000
Foundation Adjustments	(152,000)	37,000	16,000	(71,000)	(87,000)
Totals	\$8,915,000	\$9,347,000	\$9,462,000	\$9,394,000	(\$68,000)

Formula Aid is anticipated to decrease from the prior fiscal year because of increases in assessed valuations and a decrease in ADM of 89. Categorical funding increased due to an increase in special education. Equity aid was phased out each year through fiscal year 2005. Parity aid was phased in with the percentage of distribution going from 58 percent in fiscal year 2004 to 76 percent in fiscal year 2005, and 100 percent in fiscal year 2006. Parity aid decreased because the Local Wealth and Local Wealth Threshold increased as a result of an update in property valuations in tax year 2005. The reappraisal guarantee safeguards a district from decreases in State aid due to an increase in property valuations from a reappraisal or update. The School District experienced an increase of approximately \$22,000,000 in property valuations in tax year 2005.

Other Adjustments represents the difference between the final settlement and a recalculation of the prior year's SF3 which takes into account corrections for ADM, open enrollment, community school adjustments costs and other items.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and Poverty Based Assistance. For fiscal year 2007, the School District anticipates \$14,000 in bus purchase allowance, \$28,000 in career tech monies and \$601,000 in Poverty Based Assistance monies which replaced the DPIA program. A \$25,000 decrease is anticipated from the prior year due to decreases in the career tech monies.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Beginning in 2006, the State eliminated the ten percent rollback on commercial and industrial real property and the reimbursement to local governments. The increase in homestead and rollback revenue is due to the new 6.9 mill property tax levy.

The State exempts the first \$10,000 in taxable value of tangible personal property from taxation. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State was phasing out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are made twice a year in February and August. For fiscal year 2007, the School District anticipates \$31,000 in public utility reimbursements based on information provided by the Ohio Department of Taxation.

Beginning in fiscal year 2006, the State will reimburse the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For fiscal year 2007, the School District anticipates receiving \$259,000 of reimbursement for the tangible personal property tax phase out.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecasted Fiscal Year 2007	Variance
Homestead and Rollback	\$523,000	\$518,000	\$523,000	\$564,000	\$41,000
Tangible Personal Property Exempt	39,000	37,000	30,000	19,000	(11,000)
Utility Deregulation	0	0	76,000	31,000	(45,000)
Tangible Personal Property Loss Reimbursements	0	0	21,000	259,000	238,000
Totals	\$562,000	\$555,000	\$650,000	\$873,000	\$223,000

E. - All Other Revenues

All other revenues include tuition and open enrollment, interest on investments, bus rentals, other revenue, and the refund of prior year expenditures.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Tuition and open enrollment revenue is expected to increase from the prior fiscal year. The School District receives tuition revenue from other school districts whose students reside in foster home/group homes and for special education. The School District also receives open enrollment tuition for students who reside in another School District and attend Struthers City School District. The School District has experienced an increase of 60 students.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the greatest allocation being to the general fund. The increase in interest is due to the School District having more cash to invest.

Bus rental revenues are expected to decrease due to the School District no longer transporting students for the Cardinal Mooney Parochial School.

Other revenue is anticipated to decrease due to a traveling circus and concerts no longer using the School District's fieldhouse.

Refund of prior year expenditures is expected to increase due to the School District receiving a refund from the Educational Service Center for the overpayment of estimated program expenses, a refund for overpaying AT&T for a computer T-1 line and a bankruptcy liquidation settlement from a company that had sold the School District fitness equipment.

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Tuition and Open Enrollment	\$82,000	\$105,000	\$610,000	\$946,000	\$336,000
Interest on Investments	39,000	30,000	51,000	70,000	19,000
Bus Rentals	27,000	25,000	25,000	6,000	(19,000)
Other Revenue	45,000	60,000	51,000	20,000	(31,000)
Refund of Prior Year Expenditures	1,000	0	5,000	137,000	132,000
Totals	<u>\$194,000</u>	<u>\$220,000</u>	<u>\$742,000</u>	<u>\$1,179,000</u>	<u>\$437,000</u>

F. - Other Financing Sources

During fiscal year 2005, the School District issued \$850,000, 3.05 percent tax anticipation notes. The notes matured on June 28, 2005. The School District also received \$1,907,000 in a State solvency assistance advance during fiscal year 2005. The advance was to be repaid without interest over two fiscal years beginning in fiscal year 2006 through deductions from the School District's foundation settlements.

The School District does not anticipate receiving any advances or transfers-in during the current forecast period.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance pay, retirement incentive bonuses, insurance opt out payments, attendance bonus, and overtime. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. At the beginning of fiscal year 2007, 2 certified and 2 classified positions were eliminated. General fund staffing levels are as follows:

	June 2004	June 2005	June 2006	March 2007
Certified	135	138	131	129
Classified	61	64	51	49
Totals	196	202	182	178

Certified (teaching) staff salaries are based on a negotiated contract. The original contract covered the period beginning July 1, 2004 through June 30, 2006. This contract was extended through June 30, 2007. The forecast includes only step increases ranging from 4 to 6 percent based on the fiscal year 2006 salary schedule. Fiscal year 2006 included a 2 percent increase in base salary as well as step increases ranging from 4 to 6 percent.

The contracts for classified staff cover the period beginning July 1, 2006 through June 30, 2007 and allow for a 2 percent increase in base wages as well as step increases ranging from 1 to 3 percent each year of the contract.

The general fund forecasted salaries were calculated by adding actual 2007 fiscal year to date amounts as of March 31, 2007 to a sample payroll multiplied by the remaining number of pay dates for the fiscal year. The step increases for certified and classified employees were offset by the reduction of 4 staff and the replacement of 9 certified employees and 2 classified employees who left the School District at the top of the pay scale with entry level employees at the bottom of the pay scale.

Substitute salaries are expected to decrease during the forecast period due to the elimination of professional leave for teachers.

Supplemental salaries are expected to increase during the forecast period due to the addition of eight supplemental positions, six coaching positions and two department head positions.

The School District offers severance pay upon retirement to its certified and classified employees with at least ten years of service in the School District. Payments to certified and classified employees are equal to one-fourth of the employee's total sick leave accumulation, up to a maximum payment of 60 days for certified and 65 days for classified. Payment is based on the daily rate of pay at retirement.

The School District offers an incentive for those employees who opt to waive health care benefits and an attendance bonus. The cost of the incentive and bonus is anticipated to decrease because of a decline in participation during fiscal year 2007.

Severance pay and retirement incentives are anticipated to increase \$176,000. Severance pay increased due to the retirement of 13 staff members in fiscal year 2006 that are paid during the forecast period compared with the retirement of 9 staff members in fiscal year 2005 that were paid in fiscal year 2006. In

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

addition, the fiscal year 2005 certified retirees' severance was paid during the forecast period. The increase in retirement incentives was due to 11 of the fiscal year 2006 retirees being paid a retirement bonus during the forecast period compared with 4 of the fiscal year 2005 retirees being paid a retirement bonus in fiscal year 2006.

Other salaries and wages increased due to the board members receiving a salary for all of fiscal year 2007 compared to board members choosing to not be paid for the first half of fiscal year 2006.

Presented below is a comparison of salaries and wages for fiscal years 2004, 2005, 2006 and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Certified Salaries	\$6,785,000	\$7,101,000	\$6,863,000	\$6,736,000	(\$127,000)
Classified Salaries	1,349,000	1,365,000	1,226,000	1,125,000	(101,000)
Substitute Salaries	362,000	196,000	177,000	158,000	(19,000)
Supplemental Contracts	198,000	203,000	167,000	185,000	18,000
Severance Pay and Retirement Incentive	19,000	39,000	108,000	284,000	176,000
Insurance and Attendance Bonuses	123,000	119,000	98,000	67,000	(31,000)
Other Salaries and Wages	8,000	5,000	9,000	12,000	3,000
Totals	<u>\$8,844,000</u>	<u>\$9,028,000</u>	<u>\$8,648,000</u>	<u>\$8,567,000</u>	<u>(\$81,000)</u>

B. – Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and actuals are prorated over the next calendar year. The School District pays the retirement contributions for its administrators. The decrease in employer retirement contributions that appears on the schedule below is due to the reduction of both certified and classified salaries and the adjustment for the overestimate of fiscal year 2006 SERS wages.

Hospitalization and prescription drug health care costs are based on monthly premiums set by the Mahoning County Insurance Consortium. Health care premiums are set for a twelve month period from July to June by the Consortium.

Insurance premiums are expected to decrease due to a rate reduction of 5 percent for certified and classified employees' hospitalization and prescription drug coverage. According to the contract, classified employees began picking up 4 percent of their hospitalization and prescription drug premiums in October 2006, further reducing the School District's cost. In prior fiscal years the board paid 100 percent. The rates for dental and vision did not change. The reduction in staff coupled with the reduction of hospitalization and prescription drug rates and the 4 percent pick up of hospitalization and prescription drug premiums by classified employees is anticipated to save the School District about \$213,000 this fiscal year.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

The monthly payments of the Board of Education share for hospitalization, prescription drug, vision and dental benefits are as follows:

Coverage:	<u>Effective FY 2006</u>	<u>Effective FY 2007</u>
Family:		
Hospitalization / Prescription	\$1,216.51	\$1,155.68
Vision / Dental	53.20	53.20
Single:		
Hospitalization / Prescription	505.36	480.09
Vision / Dental	48.70	48.70

Vision and dental health care costs are based on monthly payments to the School District's self-insurance fund at rates recommended by the third party administrator and agreed to by the Board of Education. The payments are based on the estimated claims and administrative charges. All funds, including the general fund, are charged a monthly payment. Payments are fixed for a twelve month period from July to June.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program. The premiums for fiscal year 2007 are consistent with fiscal year 2006. The School District also purchases a paid up life insurance policy for all retirees. Life insurance is anticipated to increase from fiscal year 2006 due to the retirement of 13 staff members in fiscal year 2006 receiving a paid up life insurance policy during the forecast period compared with the retirement of 9 staff members in fiscal year 2005 receiving a paid up life insurance policy in fiscal year 2006.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District chooses the two payment method. The premium for calendar year 2006, due in May 2007, increased from \$1.12 per hundred dollars of payroll to \$1.56 per hundred dollars of payroll. The increase is due to the School District being in a penalty status for excess claims. In 2004 and 2005, the State Workers' Compensation System granted all local government employers a premium reduction of 20 percent.

The School District does not anticipate paying unemployment benefits during fiscal year 2007. This decrease is due to those employees laid off at the end of fiscal year 2005 finding jobs in fiscal year 2007 and no longer being able to collect unemployment.

Presented below is a comparison of fiscal years 2004, 2005, 2006 and the forecast period:

	<u>Actual Fiscal Year 2004</u>	<u>Actual Fiscal Year 2005</u>	<u>Actual Fiscal Year 2006</u>	<u>Forecast Fiscal Year 2007</u>	<u>Variance Increase (Decrease)</u>
Employer's Retirement	\$1,197,000	\$1,331,000	\$1,295,000	\$1,211,000	(\$84,000)
Health Care/Life Insurance	2,392,000	2,384,000	2,117,000	1,844,000	(273,000)
Workers' Compensation	0	54,000	108,000	180,000	72,000
Medicare	61,000	54,000	62,000	59,000	(3,000)
Unemployment	0	2,000	23,000	0	(23,000)
Totals	<u>\$3,650,000</u>	<u>\$3,825,000</u>	<u>\$3,605,000</u>	<u>\$3,294,000</u>	<u>(\$311,000)</u>

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

C. - Purchased Services

Presented below are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
Professional and Technical Services	\$102,000	\$88,000	\$42,000	\$51,000	\$9,000
Property Services	581,000	273,000	212,000	496,000	284,000
Travel and Meeting Expenses	(2,000)	6,000	5,000	10,000	5,000
Communication Costs	56,000	42,000	22,000	48,000	26,000
Utility Services	549,000	577,000	571,000	637,000	66,000
Tuition Payments	490,000	588,000	685,000	690,000	5,000
Open Enrollment	326,000	306,000	311,000	327,000	16,000
Pupil Transportation	60,000	58,000	29,000	37,000	8,000
Other Purchased Services	2,000	0	0	0	0
Totals	<u>\$2,164,000</u>	<u>\$1,938,000</u>	<u>\$1,877,000</u>	<u>\$2,296,000</u>	<u>\$419,000</u>

Professional and technical services increased due to the School District's contract negotiations. Property Services increased due to planning and engineering services associated with the 4 phase stadium renovation project consisting of extensive work within the School District's stadium complex beginning in fiscal year 2007. Utility services increased due to an increase in consumption and the cost of gas and electric. Tuition and open enrollment increased due to additional students attending other schools. Pupil transportation is anticipated to increase due to increased fuel costs.

D. - Supplies and Materials

The following table discloses the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2004	Actual Fiscal Year 2005	Actual Fiscal Year 2006	Forecast Fiscal Year 2007	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$348,000	\$121,000	\$108,000	\$343,000	\$235,000
Operations, Maintenance and Repair	106,000	128,000	92,000	110,000	18,000
Textbooks	91,000	90,000	28,000	36,000	8,000
Totals	<u>\$545,000</u>	<u>\$339,000</u>	<u>\$228,000</u>	<u>\$489,000</u>	<u>\$261,000</u>

The School District operated fiscal year 2006 with minimum supplies due to its financial condition. In fiscal year 2007, necessity required the School District to bring supplies back up to a proper level.

E. - Capital Outlay

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. Capital outlay expenditures are mainly for the purchase of a plow truck. Prior fiscal year capital outlay expenditures included an equipment lease, the purchase of computer equipment and a new bus.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

F. – Debt Service

The outstanding balances and principal to be retired for general fund supported debt consists of the following:

<u>Type</u>	<u>Maturity Date</u>	<u>Balance at 6/30/2006</u>	<u>Fiscal Year 2007 Principal Payment</u>	<u>Fiscal Year 2007 Interest Payment</u>
Energy Conservation Notes	December 1, 2013	\$240,000	\$25,000	\$12,000
Solvency Assistance Advance	June 30, 2007	953,000	953,000	0
Total		<u>\$1,193,000</u>	<u>\$978,000</u>	<u>\$12,000</u>

In fiscal year 1999, the School District issued energy conversation notes for the purpose of lighting and window replacement throughout the School District. These notes are being repaid with property taxes over a fifteen year period.

In fiscal year 2005, the School District received a Solvency Assistance Fund Advance from the State. The solvency assistance fund advances money to school districts that are in fiscal emergency or that meet one or more of nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance is repaid over two years from State foundation revenues.

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. The \$100,000 increase is due primarily to an increase in auditor and treasurer fees, audit fees and a lease through the School Fitness Program to purchase fitness equipment.

H. - Operating Advances/Transfers Out

The School District does not plan on making any advances or transfers out for fiscal year 2007. In fiscal year 2006, the School District transferred to the Title VI-R grant fund. In fiscal year 2005, the School District transferred to the Ohio School Facilities fund and in fiscal year 2004 the School District transferred to a Student Activity fund.

Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects were \$123,000 for fiscal year 2006 and are forecasted to be \$136,000 for fiscal year 2007.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for

Struthers City School District
 Mahoning County
 Summary of Significant Assumptions and Accounting Policies
 For the Fiscal Year Ending June 30, 2007

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.

A. - Textbooks and Instructional Materials Set-Aside

The set aside amount requirement for fiscal year 2007 is \$317,000. The School District had a carryover of \$327,000 in excess of qualified expenditures from fiscal year 2006. The School District anticipates \$379,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for textbook and instructional materials.

B. – Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2007 is \$317,000. The School District anticipates \$388,000 in offsets during the current fiscal year. Therefore, no reserve amount is forecasted for capital acquisition and improvements.

C. – Bus Purchases

At June 30, 2006, the School District had \$18,000 in unspent bus monies. The School District received \$14,000 in a bus purchase allowance during fiscal year 2007. The School District does not anticipate spending any money on the purchase of new buses in fiscal year 2007, leaving a reserve balance of \$32,000 forecasted for bus purchases.

D. – Poverty Based Assistance/Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2006, the School District had no unspent Poverty Based assistance monies. The School District anticipates receiving \$601,000 in restricted Poverty Based Assistance monies during fiscal year 2007. The School District anticipates spending \$601,000 of the Poverty Based Assistance funding during the current fiscal year leaving no reserve balance forecasted for Poverty Based Assistance.

Note 10 - Levies

In the past ten years, the School District has placed several levies on the ballot. The type of levy, millage amount, term and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1996	Continuing	10.00 mills	Continuing	Passed
November 1999	Bond Issue	2.6 mills	23 Years	Passed
May 2005	Continuing	8.00 mills	Continuing	Failed
November 2005	Continuing	6.90 mills	Continuing	Failed
May 2006	Operating	6.90 mills	5 Years	Passed

Note 11 – Self-Insurance Fund

The School District provides vision and dental benefits through a self-insured program. The School District maintains an internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator reviews all claims which are then paid by the School District. The School District pays into the internal service fund \$53.20 for family coverage or \$48.70 for single

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2007

coverage per employee per month which represents the entire premium required. The premium is paid monthly by the fund that pays the salary for the employee based on the number of employees and type of coverage provided to each employee. Monthly charges per person for single and family participation in the program are recommended by the third party administrator. The premiums charged to the funds are anticipated to be sufficient to cover claims and administrative charges for fiscal year 2007.

Note 12 – Pending Litigation

The School District currently has no pending litigation.

Note 13 – Financial Planning and Supervision Commission

On May 11, 2005, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction, the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Mayor of the City of Struthers. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must in accordance with the plan.

The financial recovery plan was adopted on September 26, 2005 and under State law is updated annually. The recovery plan included staff reductions and replacing retirees with a high salary with new employees at a lower salary with an estimated savings of \$1,495,000. The Board and Commission have not yet taken any action to revise the recovery plan for fiscal year 2007 and beyond.

Note 14 - Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. The financial plan for the fiscal years 2007 through 2011 was filed on October 28, 2006. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The financial plan assumes the continued operation of the School District with no significant increases in revenues. The plan also assumes annual step increases, two percent base salary increases in each year of the forecast for classified and for fiscal years 2008 through 2011 for certified, no additional staff reductions, and a ten percent increase in health care costs for the fiscal years 2008 through 2011. An operating surplus remains for fiscal years 2008 through 2011 ranging from \$1,765,000 through \$1,187,000.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for information purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



Mary Taylor, CPA
Auditor of State

STRUTHERS LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2007**