



Mary Taylor, CPA
Auditor of State

Struthers City School District
Mahoning County, Ohio

Fiscal Emergency Termination

Local Government Services Section

**Struthers City School District
Mahoning County**

Fiscal Emergency Termination

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Mary Taylor, CPA

Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Struthers City School District Financial Planning and Supervision Commission, the Auditor of State performed an analysis of the Struthers City School District to determine whether the Commission and its functions under Chapter 3316 of the Ohio Revised Code should be terminated. Based on our analysis, the Auditor of State certifies that the Struthers City School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code is in the process of being implemented and it is reasonably expected that this implementation will be completed within two years, and that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Struthers City School District Financial Planning and Supervision Commission and its role in the operation of the Struthers City School District is terminated as of November 27, 2007.

Accordingly, this report is hereby submitted to the Struthers City School District Board of Education, the Financial Planning and Supervision Commission, Ted Strickland, Governor, J. Pari Sabety, Director of the Office of Budget and Management, Daniel C. Mamula, Mayor of the City of Struthers, and Susan Tave Zelman, State Superintendent of Public Instruction.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

November 27, 2007

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Struthers City School District - Mahoning County

Report on Termination of the Struthers City School District Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the Struthers City School District (the School District), Mahoning County, Ohio, as provided by Section 3316.16(B) of the Ohio Revised Code, the Auditor of State has performed an analysis to determine whether this Commission and its functions, under Chapter 3316 of the Ohio Revised Code, should be terminated.

The Declaration of Fiscal Emergency

On October 22, 2004, the Department of Education declared the Struthers City School District to be in a state of Fiscal Caution based on an anticipated deficit for fiscal years 2005 and 2006. The Department of Education notified the Auditor of State that the Struthers City School District failed to submit an acceptable written proposal required by Section 3316.031(C) for correcting the conditions that prompted the declaration of Fiscal Caution. As a result, the Auditor of State declared the Struthers City School District to be in Fiscal Watch on January 24, 2005.

The Auditor of State declared the Struthers City School District in Fiscal Emergency on May 11, 2005 based on a forecasted operating deficit in the general fund for the year ending June 30, 2005 in the amount of \$1,907,000, or 13.2 percent of the general fund revenues for the prior fiscal year, and that the voting electors of the School District had not passed a levy that would have eliminated the deficit. The state of Fiscal Emergency was declared under Section 3316.03(B)(2) of the Ohio Revised Code and a Financial Planning and Supervision Commission was created whose purpose is to direct the School District's return to financial stability.

Termination of Fiscal Emergency

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse".

The results of the analysis performed by the Auditor of State to determine if each of these four conditions has been satisfied follows.

Section 1 - Financial Accounting and Reporting System

When a school district is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the school district's financial accounting and reporting system. The Auditor of State, in accordance with Section 3316.10(A), Revised Code, assessed the methods, accuracy, and legality of the

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Report on Termination of the Struthers City School District Financial Planning and Supervision Commission

accounts, records, files, and reports of the Struthers City School District (the School District) and issued a Report on Accounting Methods, dated May 16, 2006. The report identified areas where the School District's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Financial Accounting Report. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Financial Accounting Report. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary Process

Auditor of State Comment from Report on Accounting Methods:

- The Board of Education adopts appropriations resolutions based on anticipated amendments to the certificate of estimated resources. Appropriations are to be limited to the estimated resources as reflected in the certificate in existence when the appropriations are adopted. Appropriations adopted in excess of the certificate of estimated resources do not comply with Section 5705.39, Revised Code. The Treasurer should obtain an amended certificate for increases in estimated revenues before the Board of Education appropriates the increases.

Implemented:

The Board adopts appropriations which do not exceed the amended certificate of estimated resources in existence at the time of adoption.

Auditor of State Comment from Report on Accounting Methods:

- The legal level of control, the level at which spending in excess of the budgeted amounts is a violation of law, should be established in the first appropriation measure adopted by the Board. Supplemental appropriation measures should be consistent with this level throughout the year. In addition, supplemental appropriation measures should identify the old and new amounts, not just the new amounts.

Implemented:

The legal level of control for the Struthers City School District is the fund level as established by the Board with the approval of fiscal year 2007 appropriations on September 20, 2006. The School District amended the fiscal year 2007 appropriations on December 12, 2006. The legal level of control was consistent with the permanent appropriations approved by the Board on September 19, 2006. The supplemental appropriation measure also identified the old and the new amount.

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**Report on Termination of the Struthers City School District
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Auditor of State Comment from Report on Accounting Methods:

- The Treasurer compares appropriations to estimated resources; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

Implemented:

Prior to presenting the Board of Education with an appropriation measure or supplemental appropriation measure, the Treasurer prepares a comparison of appropriations to estimated resources worksheet which shows total proposed appropriations and total estimated revenues by fund. The comparison is presented to the Board of Education as part of the request for passage of the appropriation ordinance.

Auditor of State Comment from Report on Accounting Methods:

- The appropriations in the accounting system do not agree with the most recent supporting documents. Amendments should be posted to the accounting system after approval by the Board of Education. The Treasurer should compare budgeted amounts in the accounting system to the current appropriations measures as passed by the Board of Education to ensure that recorded amounts are accurate.

Implemented:

After appropriations or supplemental appropriations are approved by the Board of Education and a certificate that the appropriations do not exceed estimated revenues is received from the County Auditor, the appropriations are entered into the accounting system by the Treasurer. The Treasurer prints out an appropriation recap sheet for comparison to the official resolution passed by the Board. The Treasurer signs the last page of the recap sheet to indicate that the comparison was completed.

Auditor of State Comment from Report on Accounting Methods:

- The Board of Education has the Superintendent approve those student activity programs the School District wishes to be operational each year. Section 3315.062, Revised Code, requires that the Board of Education approve the student activity programs. The Superintendent should submit for approval of the Board of Education a list of proposed student activity programs.

Implemented:

The Superintendent submits for approval of the Board of Education a list of proposed student activity programs.

Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41, R.C., states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated. Fiscal year 2005 temporary appropriations were adopted on August 24, 2004. The expenditures made from July 1 to August 23 were without proper appropriations. During fiscal year 2005, the School District had deficit fund balances contrary to Section 5705.10,

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Revised Code, expenditures plus encumbrances that exceeded the Board adopted appropriations contrary to Section 5705.41(B), Revised Code, and appropriations that exceeded estimated resources contrary to Section 5705.39, Revised Code. The Board, Superintendent, and Treasurer should attend a workshop or schedule a workshop within the School District that addresses Ohio Budgetary Law and the role each has in the budgetary process.

In Process of Implementation:

On June 25, 2007, the Board adopted fiscal year 2008 temporary appropriations. As of the 2007 fiscal year end, the School District had no appropriations that exceeded estimated resources, had one deficit fund balance contrary to Section 5705.10 Revised Code, and had three occurrences where expenditures plus encumbrances exceeded the Board adopted appropriations contrary to Section 5705.41 Revised Code. The Treasurer has developed an agenda for an in-service budgetary process workshop to be held at the December 18, 2007 Board of Education meeting focusing on the Certificate of the Total Amount Available from All Sources for Expenditures and Balances, the Certificate of Estimated Resources, the Appropriations Resolution and the County Auditor Certificate that appropriations are within estimated resources.

Revenue Activity

Auditor of State Comment from Report on Accounting Methods:

- The Student Activities sales project potential form is not being filled out correctly prior to the fundraiser. The Student Activities sales project potential form should be filled out correctly by the Advisor prior to the fundraiser. The Principal and the Superintendent should not sign incomplete forms.

Implemented:

The Principal and the Superintendent are making certain the sales project potential form is completely filled out prior to signing it.

Auditor of State Comment from Report on Accounting Methods:

- Ticket discrepancies are currently resolved by the use of the change fund. A policy should be implemented to ensure that discrepancies from ticket sales are documented and dealt with in a consistent and timely manner.

Implemented:

The Struthers City School District currently has a policy in place for resolving ticket discrepancies. It is part of the "Building Financial Administrative Guide to Student Athletics" policy. It contains a consolidated box office report in which ticket counts are verified against cash along with a reconciliation of over-under where the individual seller is responsible for any shortages. If the amount is over, the overage becomes part of the deposit.

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Auditor of State Comment from Report on Accounting Methods:

- At the present time, the sales project potential form is recommended by the School District but not enforced. Some forms are being filled out after the project has ended and funds are not being deposited within 24 hours. The sales project potential form should be completed timely and deposits made within 24 hours.

Implemented:

The sales project potential form is currently being completed prior to starting all projects and the pay-ins with the deposits are being made within 24 hours.

Auditor of State Comment from Report on Accounting Methods:

- Pay-ins are a form generally used by the Treasurer's office to document the receipt of money from outside sources and as a source document for the posting of receipts to the accounting system. Receipts are generally a document used to substantiate a distinct payment by an outside party. The various School District buildings use pay-ins instead of receipts. Manual receipts should be used at various buildings. Pay-ins should be only utilized by the Treasurer's office to document the receipt of money from the various buildings and departments and to post revenue to the system. The School District needs to eliminate "Pay-in" from the forms used in the buildings and label them receipts. The receipt forms should be pre-numbered and controlled.

Implemented:

A prenumbered receipt book is used to document the receipt of money at each school building for student activity receipts. A copy of the receipt is given to the advisor when money is turned in. Pay-ins are utilized by the Treasurer's office to document the receipt of money from the various buildings and departments and to post receipts into the system.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods:

- The School District should maintain a printed copy of the results of the search of the Auditor of State's Finding for Recovery website as proof.

Implemented:

The Treasurer is maintaining a printed copy of the results of the search of the Auditor of State's Finding for Recovery website in his office which is attached to each voucher as proof that the web site was searched and that the vendor had no outstanding uncontested findings for recovery.

Auditor of State Comment from Report on Accounting Methods:

- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the Board of Education. This type of certification, referred to as a blanket certification (blanket purchase

Struthers City School District - Mahoning County

Report on Termination of the Struthers City School District Financial Planning and Supervision Commission

orders), has not been authorized by the Board of Education. The Treasurer continues to issue blanket certificates under the old statutory restriction of 90 days and \$5,000. The Board of Education should set by resolution the maximum dollar amount for blanket certifications.

Implemented:

The Board of Education, by Resolution No.125-06 has established the maximum days and dollar amount for blanket certifications at 90 days and \$5,000, respectively.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods:

- Voided checks should have the signature block removed to ensure the check does not make it through any automated system.

Implemented:

Voided checks have the signature block punched through to ensure the check does not make it through any automated system.

Auditor of State Comment from Report on Accounting Methods:

- The School District should document the procedures for cash disbursements including the function of each staff position involved in the process. The document should also include procedures for invoices that exceed the purchase order, fiscal officer certification of funds and the use of "Then and Now" certifications. The document should be kept on file in the Treasurer's office.

In Process of Implementation:

The School District has updated its accounts payable policy that deals specifically with the use of "Then and Now" certifications. They have also documented procedures for cash disbursements which includes specific staff positions and their functions. The School District still needs to address procedures for invoices that exceed the purchase order and fiscal officer certification of funds.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods:

- The School District provides each employee that holds a contract for the next school year with an annual salary notification in August. State law requires the annual salary notification to be given before July 1 of each year. The School District should send the annual salary notifications to the appropriate employees in June of each year.

Implemented:

Annual salary notifications for fiscal year 2008 were sent to the appropriate employees in June 2007.

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**Report on Termination of the Struthers City School District
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Debt Administration

Auditor of State Comment from Report on Accounting Methods:

- The School District issued notes for the acquisition of real estate and placed the proceeds in the School Facilities fund rather than a Bond Fund (004). The notes are being retired from the School Facilities Fund (010). The notes should be retired from a debt service fund. The School District also sold land and placed the proceeds in the School Facilities fund rather than a permanent improvement fund (003) as required by Section 5705.10, Revised Code. The School Facilities Fund is to account for State grants and local resources restricted to the construction of school facilities, not the acquisition of real property or the retirement of notes. Resources remaining in the School Facilities fund after all obligations are paid are returned to the State and/or transferred to the Bond Retirement fund. The Treasurer should review the Uniformed School Accounting System (USAS) Manual for the proper use of funds and Auditor of State Bulletin 99-004, Accounting for School Facilities Grants/Loans.

Implemented:

The real estate acquisition notes were paid off on May 1, 2006. The proceeds from the sale of land were used to pay the note. The Treasurer has reviewed the USAS Manual for proper use of funds and Auditor of State Bulletin 99-004, Accounting for School Facilities Grants/Loans for the proper use of funds.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods:

- The capital assets policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students).

Implemented:

The School District updated its capital assets policy to address the valuing of donated assets, assigning salvage values and addressing private property (items belonging to staff and students).

Auditor of State Comment from Report on Accounting Methods:

- The Board should approve the increase in the capitalization threshold by resolution. The policy should be updated to include the new capitalization threshold.

Implemented:

The School District updated its capital assets policy by Board Resolution to increase the capitalization threshold for external reporting purposes to \$5,000. Capital assets with a value of less than \$5,000 are tracked on inventory spreadsheets but are not capitalized.

Struthers City School District - Mahoning County

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Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods:

- The School District has an investment policy that is not signed and dated by the Board, Treasurer or entities conducting investment business with the Treasurer or the Board. The investment policy should be signed and dated by the Board, the Treasurer and entities conducting investment business with the Treasurer or the Board as prescribed in Section 135.14 (O)(1).

Implemented:

The investment policy was adopted at the October 17, 2006 Board meeting by Resolution No.114-06 and submitted to the State for filing on October 27, 2007. The Policy has also been dated and signed by the Treasurer, Board President and entities conducting investment business with the School District and is kept in the Treasurer's office.

Auditor of State Comment from Report on Accounting Methods:

- The Treasurer reviews and verifies all bank reconciliations. He should initial and date the monthly bank reconciliations to indicate when it was reviewed.

Implemented:

The Treasurer now initials and dates the monthly reconciliations to indicate that he has reviewed it.

Auditor of State Comment from Report on Accounting Methods:

- The School District uses the same person to receive and post receipts, process payroll, process invoices and checks, and reconcile the bank accounts. The person also has access to the check signer. The School District should segregate these functions or develop compensating controls to detect errors timely.

Implemented:

The functions in the Treasurer's office are segregated. The receptionist opens and logs the mail and makes out the deposit slip for any receipts. The payroll clerks post receipts while the accounts payable clerk processes the invoices and reconciles the bank accounts. The Treasurer takes the deposits to the bank and reviews and initials the bank reconciliation.

Auditor of State Comment from Report on Accounting Methods:

- The investment policy reflects the guidelines the School District follows when making investments. These guidelines include the type and length of investments allowed as well as who has been designated by the School District to make investments and compliance issues with Ohio Revised Code. The investment policy, however, does not address the allocation of interest. It should be updated to do so.

Struthers City School District - Mahoning County

Report on Termination of the Struthers City School District Financial Planning and Supervision Commission

In Process of Implementation:

The investment policy of the School District does address interest allocation; "Earnings on an investment may become part of the fund from which the investment was made, unless otherwise specified by law." The interest allocation policy needs to specifically address what funds receive interest and eliminate the reference "unless otherwise specified by law". In addition, the policy needs to address credit risk, custodial credit risk, concentration of credit risk and interest rate risk.

Financial Reporting

Auditor of State Comment from Report on Accounting Methods:

- The School District filed their 2004 annual report on January 31, 2005. This report should be filed within 150 days as required by State Statute.

Not Implemented:

The School District has not been able to comply with the filing of their annual report within the 150 day-period as required by the State Statute. The fiscal year 2006 annual report was filed on March 21, 2007.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods:

- The Board minutes are not always signed by the Treasurer and President of the Board when approved at each meeting. The minutes should be signed immediately following the meeting at which they are approved. Both the President of the Board of Education and the Treasurer should sign the minutes.

Implemented:

Previous meeting Board minutes are approved and signed by the Treasurer and Board President at the next Board meeting.

Auditor of State Comment from Report on Accounting Methods:

- The School District should include attachments to resolutions in the book in which the resolutions are maintained.

Implemented:

The attachments to resolutions that are referred to in the minutes are maintained in a separate drawer in the same cabinet as the book of minutes which contains the resolutions.

Auditor of State Comment from Report on Accounting Methods:

- The School District does not maintain an index of resolutions to help facilitate the location of resolutions by general topic.

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**Report on Termination of the Struthers City School District
Financial Planning and Supervision Commission**

Implemented:

The School District maintains an electronic index of all Board resolutions.

Auditor of State Comment from Report on Accounting Methods:

- The School District's minutes do not reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board of Education's decisions.

Not Implemented:

The School District's minutes are not reflecting full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board of Education's decisions.

Section 2 - Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the school district is not materially complying with the provision of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined a declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

Struthers City School District - Mahoning County

Report on Termination of the Struthers City School District Financial Planning and Supervision Commission

In order to be released from fiscal emergency, a school district must have corrected or eliminated the fiscal emergency conditions that existed at the time of the emergency declaration and no new emergency conditions may have occurred.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.
2. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
3. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

Section 3 - Financial Recovery Plan

We obtained and reviewed a copy of the latest financial recovery plan of the School District, dated September 26, 2005. The Treasurer of the School District and the Chairperson of the Financial Planning and Supervision Commission provided us with a summary of the key provisions of the plan and the actions taken to achieve the provisions of the plan, which were confirmed by us. The key provisions of the financial plan are as follows:

1. Staff from the Ohio Department of Education, in conjunction with the School District Administrative staff, is to prepare a School District staffing analysis.
2. The School District will request a solvency assistance advance.
3. The Board and the Commission will consider the Auditor of State recommendations included in the updated Performance Audit.
4. The School District will make personnel reductions.
5. The School District will consider levy options.

Actions taken to achieve the provisions of the plan include the following:

1. Requested a solvency assistance fund advance in the amount of \$1,907,000.
2. Reduced 1 administrative position and 1 classified position coupled with their respective fringe benefits and reduced legal services, resulted in a savings of approximately \$114,000 in fiscal year 2005.
3. Reduced 1 administrative position, 19.9 full time equivalent classified positions, 9.5 full time equivalent certified positions across all funds, donation of salary from Board of Education, changed health insurance plan, and reduced purchased services and materials and supplies for a total savings of approximately \$1,380,000 in fiscal year 2006.

Struthers City School District - Mahoning County

**Report on Termination of the Struthers City School District
Financial Planning and Supervision Commission**

4. Obtained voter approval of a new 6.9 mill additional operating levy in May 2006 for a period of five years.

Management's total estimated minimum expenditure reductions for fiscal years 2004 through 2006, once all provisions had been implemented, were approximately \$1,495,000.

Section 4 - Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2008 through 2012, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School Districts' five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecasted period through fiscal year 2012. The Auditor of State, in a report dated October 17, 2007, rendered a "nonadverse" opinion on the financial forecast.

Section 5 - Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented, or is in the process of implementing, an effective accounting and reporting system; however, the Auditor of State will monitor progress to insure full implementation within a two year period.
2. The School District has corrected or eliminated all the fiscal emergency conditions, no new conditions have occurred, and it appears that, based on the five-year financial forecast, the School District will remain out of fiscal emergency during the forecast period.
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Struthers City School District and its functions may be terminated.

It is understood that this report's determination is for the Struthers City School District Board of Education, the Financial Planning and Supervision Commission, Ted Strickland, Governor, J. Pari Sabety, Director of the Office of Budget and Management, Daniel C. Mamula, Mayor of the City of Struthers, and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designed by the Auditor of State, and is not to be used for any other purpose.

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**Report on Termination of the Struthers City School District
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DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

Struthers City School District - Mahoning County

**Report on Termination of the Struthers City School District
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APPENDIX A

Struthers City School District
Mahoning County, Ohio

Financial Forecast

For the Fiscal Years Ending June 30, 2008 through June 30, 2012

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Struthers City School District – Mahoning County

Fiscal Emergency Termination

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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 years ending June 30, 2008 through 2012. 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 the Struthers City School District for the fiscal years ended June 30, 2005, 2006 and 2007 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. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Mary Taylor

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October 17, 2007

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Struthers City School District
Mahoning County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2005 Through 2007 Actual;
For the Fiscal Years Ending June 30, 2008 Through 2012 Forecasted
General Fund

	Fiscal Year 2005 Actual	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Forecasted
Revenues				
General Property Tax	\$3,633,000	\$3,660,000	\$3,898,000	\$4,657,000
Tangible Personal Property Tax	449,000	528,000	665,000	309,000
Unrestricted Grants-in-Aid	9,347,000	9,538,000	9,477,000	9,466,000
Restricted Grants-in-Aid	761,000	668,000	700,000	662,000
Property Tax Allocation	555,000	650,000	646,000	887,000
All Other Revenues	220,000	742,000	1,210,000	1,067,000
<i>Total Revenues</i>	<u>14,965,000</u>	<u>15,786,000</u>	<u>16,596,000</u>	<u>17,048,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	850,000	0	0	0
Solvency Assistance Advance	1,907,000	0	0	0
Advances In	0	37,000	0	0
<i>Total Other Financing Sources</i>	<u>2,757,000</u>	<u>37,000</u>	<u>0</u>	<u>0</u>
<i>Total Revenues and Other Financing Sources</i>	<u>17,722,000</u>	<u>15,823,000</u>	<u>16,596,000</u>	<u>17,048,000</u>
Expenditures				
Personal Services	9,028,000	8,648,000	8,555,000	8,692,000
Employees' Retirement/Insurance Benefits	3,825,000	3,605,000	3,335,000	3,330,000
Purchased Services	1,938,000	1,953,000	2,163,000	2,622,000
Supplies and Materials	339,000	228,000	257,000	386,000
Capital Outlay	27,000	56,000	55,000	35,000
Debt Service:				
Principal - State Loan	228,000	240,000	0	0
Principal - Solvency Assistance Advance	0	954,000	954,000	0
Principal - Energy Conservation Notes	23,000	25,000	25,000	26,000
Principal - Tax Anticipation Note	850,000	0	0	0
Principal - Capital Lease	0	0	57,000	0
Interest	48,000	19,000	29,000	11,000
Other Objects	150,000	120,000	182,000	162,000
<i>Total Expenditures</i>	<u>16,456,000</u>	<u>15,848,000</u>	<u>15,612,000</u>	<u>15,264,000</u>
Other Financing Uses				
Operating Transfers Out	5,000	14,000	0	47,000
<i>Total Expenditures and Other Financing Uses</i>	<u>16,461,000</u>	<u>15,862,000</u>	<u>15,612,000</u>	<u>15,311,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	1,261,000	(39,000)	984,000	1,737,000
Cash Balance (Deficit) July 1	(948,000)	313,000	274,000	1,258,000
Cash Balance June 30	313,000	274,000	1,258,000	2,995,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	148,000	123,000	239,000	160,000
Reservations of Fund Balance for:				
Capital and Maintenance	150,000	0	0	0
Bus Purchase	11,000	18,000	32,000	46,000
<i>Total Encumbrances and Reserves of Fund Balance</i>	<u>309,000</u>	<u>141,000</u>	<u>271,000</u>	<u>206,000</u>
Unencumbered/Unreserved Fund Balance June 30	4,000	133,000	987,000	2,789,000
Revenue from Renewal Levies				
Property Tax - Renewal	0	0	0	0
Unencumbered/Unreserved Fund Balance June 30 with Renewal Levies	<u>\$4,000</u>	<u>\$133,000</u>	<u>\$987,000</u>	<u>\$2,789,000</u>

See accompanying summary of significant forecast assumptions and accounting policies
See accountant's report

Fiscal Year 2009 Forecasted	Fiscal Year 2010 Forecasted	Fiscal Year 2011 Forecasted	Fiscal Year 2012 Forecasted
\$4,668,000	\$4,694,000	\$4,723,000	\$4,289,000
186,000	48,000	25,000	24,000
9,466,000	9,466,000	9,466,000	9,504,000
662,000	662,000	662,000	662,000
1,003,000	1,146,000	1,156,000	1,008,000
1,068,000	1,070,000	1,071,000	1,073,000
<u>17,053,000</u>	<u>17,086,000</u>	<u>17,103,000</u>	<u>16,560,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>17,053,000</u>	<u>17,086,000</u>	<u>17,103,000</u>	<u>16,560,000</u>
8,954,000	9,226,000	9,513,000	9,808,000
3,617,000	3,940,000	4,311,000	4,719,000
2,724,000	2,800,000	2,916,000	3,001,000
404,000	423,000	443,000	464,000
37,000	39,000	41,000	43,000
0	0	0	0
0	0	0	0
28,000	29,000	31,000	32,000
0	0	0	0
0	0	0	0
10,000	8,000	7,000	5,000
166,000	166,000	172,000	177,000
<u>15,940,000</u>	<u>16,631,000</u>	<u>17,434,000</u>	<u>18,249,000</u>
91,000	132,000	172,000	209,000
<u>16,031,000</u>	<u>16,763,000</u>	<u>17,606,000</u>	<u>18,458,000</u>
1,022,000	323,000	(503,000)	(1,898,000)
<u>2,995,000</u>	<u>4,017,000</u>	<u>4,340,000</u>	<u>3,837,000</u>
<u>4,017,000</u>	<u>4,340,000</u>	<u>3,837,000</u>	<u>1,939,000</u>
160,000	160,000	160,000	160,000
0	0	0	0
<u>60,000</u>	<u>74,000</u>	<u>88,000</u>	<u>102,000</u>
<u>220,000</u>	<u>234,000</u>	<u>248,000</u>	<u>262,000</u>
3,797,000	4,106,000	3,589,000	1,677,000
0	0	0	488,000
<u>\$3,797,000</u>	<u>\$4,106,000</u>	<u>\$3,589,000</u>	<u>\$2,165,000</u>

Struthers City School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008 through June 30, 2012

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 2,106 (including open enrollment) 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 October 17, 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.

Struthers City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008 through June 30, 2012

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 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.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008 through June 30, 2012

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 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.

Struthers City School District

Mahoning County

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008 through June 30, 2012

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 2007 (the collection year) for real and public utility property taxes represents collections of 2006 taxes (the tax year). Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) are for calendar year 2007 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.

The forecast excludes the receipt of any advances in June against the next fiscal year's 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 request any such advances for fiscal years 2008 through 2012.

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:

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Summary of Significant Assumptions and Accounting Policies
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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			<u>\$60.60</u>

The School District also has levies for bonded debt and school facilities maintenance totaling \$3.80 per \$1,000 of assessed valuation. The School District's total rate is \$64.40 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 \$37.65 per \$1,000 of assessed valuation and the effective commercial and industrial real property tax rate is \$48.57 per \$1,000 of assessed valuation for collection year 2008.

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 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).

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008 through June 30, 2012

General Property Tax - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represent gross property tax revenue and is based upon anticipated increases in assessed valuations and existing tax levies. The anticipated assessed valuations take into account increases from reappraisals and updates that will occur during the forecast in fiscal year 2009 (update) and in fiscal year 2012 (reappraisal) and increases in assessed valuations from new construction of two new housing developments.

The School District anticipates increases in general property taxes for the first four years of the forecast period because of new construction and other factors. In fiscal year 2008, property taxes increased \$759,000 from the prior fiscal year due to the School District receiving a full year collection on the 6.9 mill current operating levy passed by voters at the May 2006 election. In tax years 2008 and 2011, the Mahoning County Auditor will perform a triennial revaluation and a sexennial reappraisal for the School District, respectively, which should increase assessed valuations and real property tax receipts in collection years 2009 and 2012, respectively. The School District will collect on the 6.9 mill current operating levy through collection year 2011. In fiscal year 2012, the School District anticipates a decrease of \$434,000 due to the expiring 6.9 mill current operating levy. The School District is anticipating renewing the current operating levy for the collection year 2012 to prevent a drop in collections.

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 \$480,000 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). The decrease in revenue during fiscal years 2008 through 2012 is a result of the tax changes above.

B. - Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, building blocks, intervention revenues 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.

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Summary of Significant Assumptions and Accounting Policies
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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 was phased out over a three-year period through fiscal year 2007. The per pupil foundation level is set by the State Legislature. Historically, the per pupil amount has increased 2.2 percent since 2004. For fiscal years 2008 and 2009, State Legislature has increased per pupil funding by 3 percent each fiscal year. The School District anticipates the per pupil amount to increase 2.5 percent each fiscal year after fiscal year 2009. The per pupil foundation levels for fiscal years 2004 through 2009 are as follows:

Fiscal Year	Per Pupil Foundation Level
2004	\$5,058
2005	5,169
2006	5,283
2007	5,403
2008	5,565
2009	5,732

The anticipated unrestricted grants-in-aid for fiscal year 2008 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the September school foundation statement for fiscal year 2008 and the anticipated amounts for the next four fiscal years are as follows:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Formula Aid	\$6,427,000	\$6,675,000	\$6,804,000	\$6,979,000	\$7,162,000
Categorical Funding	813,000	828,000	870,000	911,000	945,000
Transportation	291,000	291,000	291,000	291,000	291,000
Parity Aid	1,106,000	1,106,000	1,106,000	1,106,000	1,106,000
Transitional Aid Guarantee	829,000	566,000	395,000	179,000	0
Totals	\$9,466,000	\$9,466,000	\$9,466,000	\$9,466,000	\$9,504,000

For fiscal year 2008, formula aid is expected to increase slightly over the previous fiscal year due to an increasing per pupil funding amount. For fiscal years 2009 through 2012, formula aid is anticipated to increase steadily due to anticipated per pupil funding amounts and no anticipated reduction to average daily membership (ADM). Formula ADM is being held at a consistent 1,750 which is based upon the October 2007 count.

Categorical funding increased due to increases in special education and gifted aid. No increases are anticipated in either the transportation or parity aid line items. There are no anticipated increases to both transportation and parity aid funding for the forecast.

Struthers City School District

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2008 through June 30, 2012

Transitional aid guarantee is anticipated in fiscal years 2008 through 2011. This money is used for the sole purpose of raising the funding up to the prior fiscal year's level. For fiscal year 2012, the funding will exceed the previous year without any additional revenue from the transition aid guarantee.

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 2008, the School District anticipates \$14,000 in bus purchase allowance, \$35,000 in career tech monies and \$613,000 in Poverty Based Assistance monies which replaced the DPIA program. For fiscal years 2009 through 2012, the School District anticipates restricted grants-in-aid to be consistent with fiscal year 2008.

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 fiscal year 2008 in homestead and rollback revenue is due to the new 6.9 mill property tax levy. Homestead and rollback is expected to continue to increase for fiscal years 2009 through 2011. This revenue is anticipated to decrease in fiscal year 2012 due to the expiration of a five year operating levy.

Beginning in tax collection year 2008, the State granted an additional homestead and rollback exemption for the first \$25,000 in market value. This new exemption will increase property tax allocation receipts and decrease general property tax receipts by an equal amount. No increase has been included or decrease in general property taxes because the amount cannot yet be determined.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the School District for the lost revenue. In 2004, the State began phasing out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption was in fiscal year 2007.

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 and are identified as Utility Deregulation payments. The reimbursements are phased out starting in 2007 and ending in 2016. In fiscal year 2008, the School District received an excess distribution of the consumption taxes. The excess distribution is recorded solely to the general fund and is anticipated each year during the forecast.

In fiscal year 2006, the State began reimbursing 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, beginning in fiscal year 2012, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the

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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 the forecast period, the School District anticipates receiving a steadily increasing reimbursement for the tangible personal property tax phase out until 2012 when the amount begins to decline, due to a phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Homestead and Rollback	\$550,000	\$556,000	\$563,000	\$569,000	\$515,000
Utility Deregulation	66,000	66,000	66,000	66,000	66,000
Tangible Personal Property Loss Reimbursements	271,000	381,000	517,000	521,000	427,000
Totals	<u>\$887,000</u>	<u>\$1,003,000</u>	<u>\$1,146,000</u>	<u>\$1,156,000</u>	<u>\$1,008,000</u>

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.

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 the Struthers City School District. Tuition and open enrollment revenue is expected to remain consistent with fiscal year 2007 for the forecast period. This is the direct result of the School District taking on a maximum amount of open enrollment students based on building capacity.

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. The School District anticipates a conservative 2 percent increase per year for the forecast period.

Bus rental revenues are expected to remain consistent throughout the forecast period. Busing is provided for fieldtrips for School District programs and to St. Nick's parochial school for sporting events.

Other revenue consists of gym rentals, donations and commissions. The majority of this revenue source is for rental of the gym for concerts. It is expected to remain consistent for the forecast period.

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All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Tuition and Open Enrollment	\$954,000	\$954,000	\$954,000	\$954,000	\$954,000
Interest on Investments	73,000	74,000	76,000	77,000	79,000
Bus Rentals	10,000	10,000	10,000	10,000	10,000
Other Revenue	27,000	27,000	27,000	27,000	27,000
Refund of Prior Year Expenditures	3,000	3,000	3,000	3,000	3,000
Totals	<u>\$1,067,000</u>	<u>\$1,068,000</u>	<u>\$1,070,000</u>	<u>\$1,071,000</u>	<u>\$1,073,000</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 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 forecast period.

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. General fund staffing levels are as follows:

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

The School District is not anticipating any changes in staffing levels throughout the forecast period. Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases. The new contract covers the period beginning July 1, 2007 through June 30, 2009, and allows for a three percent increase in the base salary in fiscal year 2008 as well as step increases from 0 to 6 percent depending on years of experience in each year of the contract. The contract also calls for a three percent base increase in fiscal year 2009. The contract for classified staff covers the same period and allows for a two percent increase in base wages as well as step increases ranging from 0 to 3 percent each year of the contract.

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The School District has assumed annual base increases of two percent and step increases similar to the current negotiated agreements for the fiscal years 2010 to 2012 for both its certified and classified employees. These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving similar base increases for fiscal years 2010, 2011 and 2012 is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Should the School District agree to an additional one percent increase, it would increase salaries approximately \$84,000 and decrease the fund balance by the same amount.

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. The School District anticipates a decrease in severance payments during the forecast period due to an Early Retirement Incentive bonus no longer in the negotiated agreement and fewer employees eligible to retire.

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 remain consistent throughout the forecast period.

Presented below is a comparison of salaries and wages for fiscal years 2008 through 2012.

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Certified Salaries	\$6,906,000	\$7,202,000	\$7,482,000	\$7,762,000	\$8,030,000
Classified Salaries	1,139,000	1,163,000	1,190,000	1,218,000	1,241,000
Substitute Salaries	228,000	228,000	228,000	228,000	228,000
Supplemental Contracts	200,000	206,000	210,000	214,000	218,000
Severance Pay	143,000	79,000	39,000	14,000	14,000
Insurance and Attendance					
Bonuses	66,000	66,000	66,000	66,000	66,000
Other Salaries and Wages	10,000	10,000	11,000	11,000	11,000
Totals	<u>\$8,692,000</u>	<u>\$8,954,000</u>	<u>\$9,226,000</u>	<u>\$9,513,000</u>	<u>\$9,808,000</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 a variance in estimates are prorated over the next calendar year. Retirement costs are forecasted to increase based on the increase in forecasted salaries over the next five fiscal years. The School District pays 3 percent of the employee's retirement contributions for its administrators.

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House Bill No. 315 is currently pending which would require an additional contribution of 2.5 percent for STRS from both the employer and the employee. This would increase the School District's benefit payments by an additional \$217,000 to \$245,000 from fiscal years 2008 to 2012, respectively. The likelihood of passage is not known and the additional contribution is not included in the forecast.

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. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The health care program includes medical/surgical, prescription drug, dental care and vision. In fiscal year 2008, health care costs are expected to decrease due to a slight decrease in premiums. Fiscal years 2009 through 2012 are anticipated to increase sixteen percent each fiscal year due to anticipated increases in the health insurance industry. In October 2006, classified employees began to pick up four percent of their hospitalization and prescription drug coverage.

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 School District does not anticipate any changes to the workers' compensation premium throughout the forecast period.

Presented below is a comparison of employees' retirement and insurance for the fiscal years 2008 through 2012:

	Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Employer's Retirement	\$1,233,000	\$1,275,000	\$1,324,000	\$1,369,000	\$1,412,000
Health Care/Life Insurance	1,833,000	2,072,000	2,341,000	2,661,000	3,025,000
Workers' Compensation	203,000	207,000	211,000	215,000	215,000
Medicare	60,000	62,000	63,000	65,000	66,000
Unemployment	1,000	1,000	1,000	1,000	1,000
Totals	<u>\$3,330,000</u>	<u>\$3,617,000</u>	<u>\$3,940,000</u>	<u>\$4,311,000</u>	<u>\$4,719,000</u>

C. - Purchased Services

Presented below is a comparison of purchased service expenditures for fiscal years 2008 through 2012:

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	Forecast				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Professional and Technical Services	\$142,000	\$139,000	\$139,000	\$140,000	\$141,000
Property Services	710,000	739,000	733,000	763,000	757,000
Travel and Meeting Expenses	22,000	22,000	22,000	22,000	22,000
Communication Costs	43,000	43,000	43,000	43,000	43,000
Utility Services	639,000	674,000	712,000	752,000	794,000
Tuition and Other Similar Payments	1,016,000	1,057,000	1,101,000	1,146,000	1,194,000
Pupil Transportation	50,000	50,000	50,000	50,000	50,000
Totals	\$2,622,000	\$2,724,000	\$2,800,000	\$2,916,000	\$3,001,000

Professional and technical services are anticipated to remain at a relatively consistent level for the forecast period. Although contracts will need to be renegotiated during the forecast period, the School District will use the City of Struthers legal staff for negotiations to save on costs. Property services are expected to increase in fiscal year 2008 due to planning and engineering services associated with the four phase stadium renovation project and the capital improvement plan. The stadium renovation project consists of extensive work within the School District's stadium complex. The capital improvement plan consists of various items such as roof work, parking lot sealing and stripping, and Wellness Center upgrades, among others. During the forecast period, some of the planned projects have yet to have a determinable cost assigned. The School District plans on spending approximately \$200,000 per year on the capital improvement plan, which may eliminate some of the projects if the cost becomes too high. Property services will fluctuate through the forecast period due to different planned projects coming on and dropping off. Utility services are showing gradual increases due to an increase in consumption and the increased cost to purchase gas, water and electric. Tuition and open enrollment are anticipated to have slight increases throughout the forecast period as a result of fewer students leaving the School District to attend other schools.

D. - Supplies and Materials

The following table is a comparison of the supplies and materials expenditures for fiscal years 2008 through 2012:

	Forecast				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
General Supplies, Library Books and Periodicals	\$144,000	\$150,000	\$156,000	\$162,000	\$169,000
Operations, Maintenance and Repair	92,000	98,000	105,000	112,000	120,000
Textbooks	150,000	156,000	162,000	169,000	175,000
Totals	\$386,000	\$404,000	\$423,000	\$443,000	\$464,000

Supplies and materials are forecasted for 2008 at a 50 percent increase over 2007. This is the direct result of the School District needing to restore supplies that have been cut or eliminated over the previous two fiscal years due to the financial status of the School District. The entire forecast period is showing consistent expenditures which will be needed to keep supplies at a level that is needed to effectively run the School District.

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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 consist of minor equipment along with \$30,000 per year, for the forecast period, on computer lab equipment that needs updating. The School District purchased one new bus in fiscal year 2006 and does not anticipate any school bus purchases for the forecast period. Prior fiscal year capital outlay expenditures included the purchase of a new truck and other miscellaneous equipment.

The School District has a classroom facilities levy under Section 3318.05 of the Ohio Revised Code that provides approximately \$57,000, annually. Planned capital outlay expenditures from the classroom facilities fund are for maintaining and upkeep for the buildings that were part of the original classroom facilities project.

F. – Debt Service

The 1999 energy conservation notes are the only outstanding debt supported by the general fund. The School District issued energy conservation notes for lighting and window replacement throughout the School District. These notes are being repaid with property taxes over a fifteen year period.

Principal and interest payments for the debt are as follows:

Fiscal Year	Energy Conservation Notes	
	Principal	Interest
2008	\$26,000	\$11,000
2009	28,000	10,000
2010	29,000	8,000
2011	31,000	7,000
2012	32,000	5,000
2013-2014	69,000	5,000
Total	\$215,000	\$46,000

G. - Other Objects

Other object expenditures consist of dues and fees, liability insurance and awards. In fiscal year 2007, there was a \$62,000 increase due primarily to auditor and treasurer fees, audit fees and a lease through the School Fitness Program to purchase fitness equipment. The School District anticipates these expenditures to decrease in fiscal year 2008, mainly from the School District not having a levy on the ballot which caused the audit and treasurer fees to spike in fiscal year 2007. For fiscal years 2009 through 2012, the School District anticipates gradual increases mainly from higher audit fees.

H. - Operating Advances/Transfers Out

The School District anticipates transfers to five grant funds for the entire forecast period and no advances. The transfers are anticipated to cover overruns in grant programs. The expenditures are being forecast with slight increases while the revenues received have been dropping each year, thus causing the deficits. For the five grant funds, the School District has indicated that programs will not be cut unless specifically

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directed by the Board of Education. The School District anticipates that this will not happen nor do they feel the funding will ever be repaid. Advances in this School District are only made to cover deficit balances that can be repaid.

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 \$239,000 for fiscal year 2007. This amount was elevated due to the School District encumbering a roof replacement for one of their buildings. For the remaining forecast period, the School District anticipates encumbrances staying consistent at \$160,000.

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 capital improvements and repairs. 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 required for fiscal year 2008 is \$332,000. The School District had \$603,000 in excess of qualified expenditures from fiscal year 2007. The School District anticipates \$294,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve amount is forecasted for textbook and instructional materials. The School District's set aside requirement is anticipated to increase between three and six percent annually for fiscal years 2009 through 2012. The School District anticipates qualified expenditures will cover the reserve requirement; therefore, the School District does not anticipate having a reserve for the remainder of the forecast period.

B. - Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2008 is \$332,000. The School District anticipates \$706,000 in qualifying expenditures. These expenditures are for repairs to the stadium and their capital improvement plan which consists of parking lot sealing and stripping, roof replacement, and various other improvements, as well as new equipment updates to the School's computer labs. An offset is also forecasted for \$57,000 in classroom facilities levy money during the current fiscal year. Therefore, no reserve amount is forecasted for capital acquisition and improvements for fiscal year 2008. For fiscal years 2009 through 2012, the School District anticipates qualified expenditures and offsets will exceed the annual set aside requirement.

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C. – Bus Purchases

At June 30, 2007, the School District had \$32,000 in unspent bus monies. The School District anticipates receiving \$14,000 in a bus purchase allowance during fiscal year 2008. The School District does not anticipate spending any money on the purchase of new buses in fiscal year 2008, leaving a reserve balance of \$46,000 forecasted for bus purchases. The School District expects to receive \$14,000 in bus monies in fiscal years 2009 through 2012 and does not anticipate purchasing any new buses during the forecast period. Therefore, the bus purchase reserve is forecast to increase each fiscal year.

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

At June 30, 2007, the School District had no unspent Poverty Based assistance monies. For fiscal years 2008 through 2012, the School District anticipates receiving \$613,000 in restricted Poverty Based Assistance monies and having \$613,000 in Poverty Based Assistance expenditures. Therefore, no reserve for Poverty Based Assistance is forecasted for fiscal years 2008 through 2012.

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	\$4,195,000	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

In the last year of the forecast period, the 2006 Operating levy will expire. The School District anticipates this levy will be renewed.

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 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. Monthly charges per person for single and family participation in the program are recommended by the third party administrator. The School District anticipates the costs of claims to increase throughout the forecast period. The monthly charges to the various funds will also increase to cover the cost of claims and administrative charges and to maintain a positive cash fund balance.

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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. Based on this report, the operation of the Commission will be terminated.

Note 14 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. In addition, there are certain funds that annually rely upon a subsidy from the General Fund to meet their obligations. These subsidies are reported as transfers out and have been addressed in Note 7-H.



Mary Taylor, CPA
Auditor of State

STRUTHERS CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 27, 2007**