



**Auditor of State
Betty Montgomery**

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2005**

Local Government Services Section

Struthers City School District
Mahoning County

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.03, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Struthers City School District, Mahoning County, Ohio, and issued a report dated March 18, 2005. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2005 of \$1,907,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2006 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent tax advances are received prior to June 30, 2005 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2005.

BETTY MONTGOMERY
Auditor of State

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

Peter R. Sorem
Chief of Local Government Services

May 11, 2005

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**Auditor of State
Betty Montgomery**

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

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Struthers City School District for the fiscal year ending June 30, 2005. The Struthers City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Struthers City School District for the fiscal years ended June 30, 2002, 2003 and 2004 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.

Betty Montgomery

Betty Montgomery
Auditor of State

March 18, 2005

STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 THROUGH 2004 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2005 FORECASTED
GENERAL FUND

	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Forecasted
Revenues				
General Property Tax (Real Estate)	\$3,508,000	\$3,500,000	\$3,503,000	\$3,533,000
Tangible Personal Property Tax	511,000	449,000	517,000	511,000
Unrestricted Grants-in-Aid	7,473,000	7,928,000	8,668,000	9,370,000
Restricted Grants-in-Aid	850,000	1,100,000	744,000	707,000
Property Tax Allocation	558,000	560,000	562,000	575,000
All Other Revenues	483,000	515,000	441,000	444,000
<i>Total Revenues</i>	<u>13,383,000</u>	<u>14,052,000</u>	<u>14,435,000</u>	<u>15,140,000</u>
Other Financing Sources				
Tax Anticipation Note	0	0	500,000	850,000
<i>Total Revenues and Other Financing Sources</i>	<u>13,383,000</u>	<u>14,052,000</u>	<u>14,935,000</u>	<u>15,990,000</u>
Expenditures				
Personal Services	7,780,000	8,241,000	8,844,000	9,062,000
Employees' Retirement/Insurance Benefits	3,155,000	3,440,000	3,650,000	4,000,000
Purchased Services	1,548,000	1,716,000	2,164,000	1,856,000
Supplies and Materials	358,000	420,000	545,000	426,000
Capital Outlay	151,000	665,000	434,000	111,000
Debt Service:				
Principal - State Loan	196,000	206,000	217,000	228,000
Principal - HB 264 Loan	100,000	21,000	22,000	23,000
Principal - Asbestos Loan	5,000	0	0	0
Principal - Tax Anticipation Note	0	0	500,000	850,000
Interest	72,000	57,000	47,000	48,000
Other Objects	122,000	131,000	193,000	133,000
<i>Total Expenditures</i>	<u>13,487,000</u>	<u>14,897,000</u>	<u>16,616,000</u>	<u>16,737,000</u>
Other Financing Uses				
Operating Transfers Out	2,000	1,000	5,000	5,000
Advances Out	1,000	0	0	0
<i>Total Other Financing Uses</i>	<u>3,000</u>	<u>1,000</u>	<u>5,000</u>	<u>5,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>13,490,000</u>	<u>14,898,000</u>	<u>16,621,000</u>	<u>16,742,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(107,000)	(846,000)	(1,686,000)	(752,000)
Cash Balance (Deficit) July 1	1,691,000	1,584,000	738,000	(948,000)
Cash Balance (Deficit) June 30	<u>1,584,000</u>	<u>738,000</u>	<u>(948,000)</u>	<u>(1,700,000)</u>
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	406,000	438,000	165,000	207,000
Reservations of Fund Balance for:				
Bus Purchase	10,000	4,000	2,000	0
DPIA	46,000	0	0	0
Total Encumbrances and Reserves of Fund Balance	<u>462,000</u>	<u>442,000</u>	<u>167,000</u>	<u>207,000</u>
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$1,122,000</u>	<u>\$296,000</u>	<u>(\$1,115,000)</u>	<u>(\$1,907,000)</u>

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

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

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, one administrative building and one bus garage. The School District is staffed by 82 non-certified, 141 certified and 14 administrative personnel to provide services to 1,987 students and other community members.

On January 24, 2005, the School District was declared to be in a state of “Fiscal Watch” by the Auditor of State under Section 3316.03 (A)(3), Revised Code. Within sixty days (March 25, 2005) of the Auditor’s declaration of fiscal watch, the board of education of the School District has to prepare and submit to the Superintendent of Public Instruction a financial plan outlining the steps the Board will take to eliminate the School District’s current operating deficit and avoid future deficits. Once the plan has been approved, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan. The School District has submitted a plan to the Ohio Department of Education and that plan has not been approved.

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 March 18, 2005, 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 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

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting 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).

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 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 governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

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.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real property, public utility real and personal property and tangible personal property taxes. Property taxes are collected for, and distributed to, the school districts in the County by the Mahoning County Auditor and Treasurer. 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.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

The forecast excludes the receipt of any advances against fiscal year 2006 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating deficit may be reduced to the extent advances are received prior to June 30, 2005 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2005.

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

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$3.90
Continuing Operating	1969	n/a	8.40
Continuing Operating	1970	n/a	5.30
Continuing Operating	1972	n/a	3.90
Continuing Operating	1972	n/a	3.30
Continuing Operating	1973	n/a	4.20
Continuing Operating	1981	n/a	5.00
Continuing Operating	1984	n/a	4.70
Continuing Operating	1993	n/a	5.00
Continuing Operating	1996	n/a	10.00
Total Tax Rate			\$53.70

The School District also has levies for bonded debt and classroom facilities totaling \$7.20 per \$1,000 of assessed valuation. The School District's total rate is \$60.90 per \$1,000 of valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property tax revenues as in the year in which the levy was approved. For all voted levies except emergency levies, increases to revenues are restricted to amounts generated from new construction. Emergency levies are intended to generate a set revenue amount annually; the revenue generated by emergency levies is not affected by changes in property valuation. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. Reduction factors are not applied to inside millage (an unvoted levy) and tangible personal property levy rates. The effective residential and agricultural rate is \$37.73 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$47.33 per \$1,000 of assessed valuation for the collection year 2005.

General Property Tax (Real Estate) - The general property tax revenue account appearing on the Statement includes real estate taxes, public utility property taxes and manufactured home taxes. The general property tax revenue estimate is based upon actual receipts and information provided by the Mahoning County Auditor's office. The small increase is due to an increase in assessed valuation.

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".

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Tangible Personal Property Tax - Tangible personal property tax is applied to property used in business (except for public utilities). Tangible personal property tax revenues are based upon information provided by the Mahoning County Auditor. Based upon these estimates, the School District anticipates a decrease of \$6,000 from the previous fiscal year. The decrease is due a decrease in the assessment rate for inventory and a decrease in assessed valuation.

The State exempts from taxation for each taxpayer the first \$10,000 of personal property. The State reimburses the School District for the lost revenue. Beginning with tax year 2004, the State will phase out the reimbursement by 10 percent each year. The reimbursement is included in the tangible personal property tax revenues.

B. - Unrestricted Grants-in-Aid

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

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature), less the equivalent of 23 mills times the school district's taxable property valuation. The per pupil foundation level for fiscal year 2002 was set by the State legislature at \$4,490 and \$4,949 for 2003. In 2003, State law set the base cost per pupil for fiscal year 2004 at \$5,058 and \$5,169 for fiscal year 2005.

The anticipated unrestricted grants-in-aid for fiscal year 2005 are based on current estimates available from the Ohio Department of Education. The most recent estimates reported on the March school foundation statement are as follows:

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Forecasted Fiscal Year 2005	Variance Increase (Decrease)
Formula Aid	\$6,805,000	\$7,116,000	\$7,054,000	\$7,258,000	\$204,000
Categorical Funding	501,000	463,000	558,000	610,000	52,000
Equity Aid	129,000	124,000	102,000	53,000	(49,000)
Transportation	196,000	276,000	314,000	296,000	(18,000)
Parity Aid	0	0	792,000	1,095,000	303,000
Foundation Adjustments	(226,000)	(102,000)	(211,000)	0	211,000
Total Foundation	7,405,000	7,877,000	8,609,000	9,312,000	703,000
Utility Deregulation	68,000	51,000	59,000	58,000	(1,000)
Total Unrestricted Grants-in-Aid	<u>\$7,473,000</u>	<u>\$7,928,000</u>	<u>\$8,668,000</u>	<u>\$9,370,000</u>	<u>\$702,000</u>

Formula aid increased due to an increase in the per pupil funding. Equity aid is being phased out each year through fiscal year 2005. Parity aid continues its phase in with the percentage of the calculated amount going from 40 percent in fiscal year 2003 to 58 percent in fiscal year 2004, and 76 percent in fiscal year 2005.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

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.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of the bus purchase allowance, career tech monies and DPIA monies. For fiscal year 2005, the School District anticipates \$9,000 in bus purchase allowance monies, \$96,000 in career tech monies and \$602,000 in DPIA monies. A \$37,000 decrease is anticipated from the prior year due primarily to the School District receiving less career tech monies from the State.

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. Property tax allocation revenue, based on information provided by the Mahoning County Auditor, is anticipated to increase of \$13,000 from fiscal year 2004.

E. - All Other Revenues

Presented below is a comparison of all other revenue for the last three fiscal years and the forecast period:

Revenue Sources	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Tuition	\$302,000	\$344,000	\$329,000	\$328,000	(\$1,000)
Interest on Investments	103,000	67,000	39,000	20,000	(19,000)
Rentals	21,000	32,000	27,000	35,000	8,000
Other Revenue	52,000	72,000	45,000	45,000	0
Medicaid Administrative Claims Program	0	0	0	15,000	15,000
Refund of Prior Year Expenditures	5,000	0	1,000	1,000	0
Totals	<u>\$483,000</u>	<u>\$515,000</u>	<u>\$441,000</u>	<u>\$444,000</u>	<u>\$3,000</u>

The School District receives tuition from school districts whose students attend the Struthers City School District's regular and vocational education programs, as well from as from open enrollment which is received through the State foundation settlements.

The School District receives quarterly reimbursements from Medicaid for health services to indigent special education students.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Interest is based on historical investment practices and anticipated rates 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.

F. - Other Financing Sources

Proceeds of notes represents the issuance of tax anticipation notes for short term cash flow borrowing. During fiscal year 2004, the School District issued \$500,000, 1.81 percent notes. The notes matured on June 17, 2004. During fiscal year 2005, the School District issued \$850,000, 3.05 percent notes. The notes mature on June 28, 2005.

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes, and board members. In addition to regular salaries, it includes payment for supplemental contracts, severance, insurance opt out, 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. Staffing levels are anticipated to stay at 237 for the rest of the forecast period.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period July 1, 2004 to June 30, 2006, and allows a 2 percent increase in the base salary for fiscal year 2005 as well as step increases that range from 4 to 6 percent and educational incentives. In addition, certified salaries are expected to increase due to the School District hiring three additional teachers in fiscal year 2005.

Classified staff salaries are based on a negotiated contract which includes base and step increases. The contract covers the period July 1, 2002 to June 30, 2005, and allows for a 3 percent increase in the base salary as well as step increases that range from 1 to 3 percent.

Substitute costs are expected to decrease during the forecast period due to an unusual increase in sick leave usage during fiscal year 2004.

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 of 60 paid days for certified employees and 65 paid days for classified. Payment is based on the daily rate of pay at retirement. Severance costs are anticipated to increase due to the retirement of four staff members during the forecast period.

The School District offers an incentive for those employees not taking the health care insurance coverage provided by the School District and an attendance bonus. These payments are anticipated to decrease due to less employees taking advantage of these benefits during fiscal year 2005.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Other salaries and wages decreased due to the board members choosing to not be paid for the second half of fiscal year 2005.

Presented below is a comparison of salaries and wages for fiscal years 2002, 2003, 2004 and the forecast period.

Revenue Sources	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Certified Salaries	\$6,001,000	\$6,352,000	\$6,785,000	\$7,085,000	\$300,000
Classified Salaries	1,185,000	1,286,000	1,349,000	1,366,000	17,000
Substitute Salaries	251,000	241,000	362,000	262,000	(100,000)
Supplemental Contracts	201,000	203,000	198,000	200,000	2,000
Severance Pay	63,000	39,000	19,000	44,000	25,000
Insurance and Attendance					
Bonuses	70,000	112,000	123,000	100,000	(23,000)
Other Salaries and Wages	9,000	8,000	8,000	5,000	(3,000)
Totals	<u>\$7,780,000</u>	<u>\$8,241,000</u>	<u>\$8,844,000</u>	<u>\$9,062,000</u>	<u>\$218,000</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 employer’s contribution rate of fourteen percent of salaries for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over estimates are prorated over the next calendar year. The School District pays the employees’ retirement contributions for its administrators. The increase presented in the schedule on page 13 is due to the increase in employees in fiscal year 2005 and the increase in salaries and wages.

Medical/surgical and prescription drug health care costs are based on 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. Premiums increased by five percent in fiscal year 2005 for the classified employees. The premiums decreased by fourteen percent for the certified and administrative employees due to changing to a restrictive preferred provider organization plan with a lower premium and a higher co-pay.

Vision and dental health care costs are based on a monthly premium recommended by the third party administrator. The premiums are based on the estimated claims and administrative charges. All funds, including the general fund, are charged a monthly premium recommended by the third party administrator. Premiums are fixed for a twelve month period from July to June. The premiums for fiscal year 2005 remained the same as fiscal year 2004.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

Struthers City School District
Mahoning County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2005

Workers' compensation is forecasted to increase. The School District utilizes an agency fund to accumulate resources for the payment of workers' compensation premiums. In the prior fiscal years, the School District had enough money in the agency fund from refunds to make the payment without charging any fund. In fiscal year 2005, the School District is charging the general fund for its portion of the workers' compensation bill. Workers' compensation is based on the School District's assigned rate and the actual salaries and wages paid in the previous calendar year. In fiscal year 2005, the assigned rate and the calendar year wages increased, which are offset by a 20 percent rebate of the premium. In fiscal year 2002 and 2003, the rebate was 50 percent and 20 percent, respectively. These rebates were partially offset by increases in the assigned rate.

Presented below is a comparison for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Employer's Retirement	\$1,224,000	\$1,160,000	\$1,197,000	\$1,327,000	\$130,000
Health Care/Life Insurance	1,868,000	2,213,000	2,392,000	2,557,000	165,000
Workers' Compensation	0	5,000	0	54,000	54,000
Medicare	63,000	62,000	61,000	62,000	1,000
Totals	<u>\$3,155,000</u>	<u>\$3,440,000</u>	<u>\$3,650,000</u>	<u>\$4,000,000</u>	<u>\$350,000</u>

C. - Purchased Services

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

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
Professional and Technical Services	\$120,000	\$100,000	\$102,000	\$84,000	(\$18,000)
Property Services	237,000	259,000	581,000	248,000	(333,000)
Travel and Meeting Expenses	12,000	15,000	(2,000)	7,000	9,000
Communication Costs	60,000	77,000	56,000	55,000	(1,000)
Utility Services	266,000	362,000	549,000	610,000	61,000
Tuition Payments	446,000	496,000	490,000	517,000	27,000
Open Enrollment	310,000	344,000	326,000	283,000	(43,000)
Pupil Transportation	97,000	63,000	60,000	51,000	(9,000)
Other Purchased Services	0	0	2,000	1,000	(1,000)
Totals	<u>\$1,548,000</u>	<u>\$1,716,000</u>	<u>\$2,164,000</u>	<u>\$1,856,000</u>	<u>(\$308,000)</u>

Property services decreased due to construction services for the Wellness Center in fiscal year 2004. Utility services increased due to all the school buildings being open for the full year.

Struthers City School District
Mahoning County
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D. - Supplies and Materials

Presented below are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2002	Actual Fiscal Year 2003	Actual Fiscal Year 2004	Forecast Fiscal Year 2005	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$185,000	\$228,000	\$348,000	\$184,000	(\$164,000)
Operations, Maintenance and Repair	34,000	80,000	106,000	157,000	51,000
Textbooks	139,000	112,000	91,000	85,000	(6,000)
Totals	<u>\$358,000</u>	<u>\$420,000</u>	<u>\$545,000</u>	<u>\$426,000</u>	<u>(\$119,000)</u>

Supplies and materials are forecasted to decrease due to the School District implementing cost cutting procedures in general supplies, library books and periodicals. This decrease is offset by an increase in operations, maintenance and repair costs due to the School District having all buildings open.

E. - Capital Outlay

The acquisition and construction of property, plant and equipment acquired or used for instructional and support services are recorded as capital outlay expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$111,000 for the payment of the equipment lease and the purchase of band instruments. The decrease of \$323,000 from fiscal year 2004 is primarily due to the School District purchasing computers in fiscal year 2004.

F. - Debt Service

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

Type	Maturity Date	Balance at 6/30/2004	Fiscal Year 2005 Principal Payment	Fiscal Year 2005 Interest Payment
State Operating Loan	June 15, 2006	\$469,000	\$228,000	\$19,000
Energy Conservation Loan	December 1, 2013	287,000	23,000	14,000
Tax Anticipation Notes	February 28, 2005	0	850,000	15,000
Total		<u>\$756,000</u>	<u>\$1,101,000</u>	<u>\$48,000</u>

G. - Other Objects

Other object expenditures consist of dues and fees, insurance and awards. The \$60,000 decrease is due to the School District limiting the amount of membership dues and fees and the elimination of builders risk insurance for the Wellness Center.

Struthers City School District
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H. - Operating Transfers and Advances Out

Transfers out of \$5,000 are anticipated during fiscal year 2005 for the Classroom Facilities capital projects fund. The School District is not forecasting any advances out in fiscal year 2005.

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 as of June 30, 2004 were \$165,000 and are forecasted at \$207,000 as of June 30, 2005. The increase is due to the School District encumbering the purchase of a new bus.

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 the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years.

A. - Textbooks and Instructional Materials Set-Aside

The set aside requirement for fiscal year 2005 is \$288,000. There was a carryover of \$438,000 in excess of qualified expenditures from fiscal year 2004. The School District anticipates \$269,000 in qualifying expenditures during the current fiscal year. Therefore, no reserve for textbook and instructional materials is forecasted.

B. - Capital Acquisition and Improvements Set-Aside

The set aside amount for fiscal year 2004 is \$288,000. The School District anticipates \$389,000 in offsets and \$204,000 in qualifying expenditures in during the current fiscal year. Therefore, no reserve for capital acquisition and improvements is forecasted.

C. - Bus Purchases

At June 30, 2004, the School District had \$2,000 in unspent bus monies. The School District received \$9,000 in a bus purchase allowance during fiscal year 2005. The School District will spend \$53,000 on the purchase of a new bus during the current fiscal year. Therefore, no reserve for bus purchases is forecasted.

Struthers City School District
 Mahoning County
 Summary of Significant Assumptions and Accounting Policies
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D. – Disadvantaged Pupil Impact Aid (DPIA)

At June 30, 2004, the School District had no in unspent DPIA monies. The School District anticipates receiving \$602,000 in restricted DPIA monies during fiscal year 2005 and \$602,000 in DPIA expenditures during the current fiscal year. Therefore, no reserve for DPIA is forecasted.

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>
February 1995	Emergency	8.00 mills	5 Years	Failed
March 1995	Emergency	8.00 mills	5 Years	Failed
November 1996	Continuing	10.00 mills	Continuing	Passed
November 1999	Bond Issue	2.60 mills	23 Years	Passed

The School District has placed an eight mill continuing levy for operating expenses on the May 3, 2005 ballot. The collection on this levy would begin in calendar year 2006 if passed by the voters. This levy is estimated to generate \$1,078,000, annually.

Note 11 - Self Insurance Fund

The School District provides vision and dental benefits through a self-insurance 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 a monthly premium into the internal service fund of \$53.20 for family coverage or \$48.70 for single coverage per employee. The premium is paid by the fund that pays the salary for the employee. The amount of the monthly premiums is recommended by the third party administrator. The premiums charged to the funds are anticipated to be sufficient to cover claims and administrative charges for fiscal year 2005.

Note 12 - Pending Litigation

The School District currently has no pending litigation.

Note 13 - State School Funding Decision

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

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

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



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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 11, 2005**