



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

June 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

**This Page is Intentionally Left Blank.**

CITY OF STRUTHERS  
MAHONING COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Type - For the Year Ended December 31, 2003 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Type - For the Year Ended December 31, 2003 .....	4
Combined Statement of Receipts - Budget and Actual - For the Year Ended December 31, 2003 .....	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - For the Year Ended December 31, 2003 .....	6
Notes to the Financial Statements .....	8
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	19
Schedule of Findings .....	21
Schedule of Prior Audit Findings .....	25

**THIS PAGE INTENTIONALLY LEFT BLANK.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Members of Council  
City of Struthers  
6 Elm Street  
Struthers, Ohio 44471

We have audited the accompanying financial statements of City of Struthers, Mahoning County, (the City) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as described in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the City of Struthers, Mahoning County, as of December 31, 2003, and its combined receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Members of Council  
City of Struthers  
Independent Accountants' Report  
Page 2

This report is intended solely for the information and use of management, City Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties

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

**Betty Montgomery**  
Auditor of State

November 29, 2006



CITY OF STRUTHERS  
MAHONING COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$2,830,951	\$52,169			\$65,626	\$2,948,746
Intergovernmental Receipts	349,285	1,113,143		\$330,413		1,792,841
Charges for Services	43,126	54,586				97,712
Fines, Licenses, and Permits	311,523	36,169				347,692
Earnings on Investments	4,448	22,486	\$17			26,951
Miscellaneous	279,407	6,453				285,860
<b>Total Cash Receipts</b>	<b>3,818,740</b>	<b>1,285,006</b>	<b>17</b>	<b>330,413</b>	<b>65,626</b>	<b>5,499,802</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,669,304				242,323	1,911,627
Public Health Services	74,243	39,660				113,903
Leisure Time Activities	79,171					79,171
Community Environment		323,693				323,693
Transportation		463,947				463,947
General Government	1,875,321	96,320				1,971,641
Debt Service:						
Principal Payments	203,252	61,748				265,000
Interest Payments	5,058	1,531				6,589
Capital Outlay		386,651		330,413		717,064
<b>Total Cash Disbursements</b>	<b>3,906,349</b>	<b>1,373,550</b>	<b>0</b>	<b>330,413</b>	<b>242,323</b>	<b>5,852,635</b>
Total Receipts Over/(Under) Disbursements	(87,609)	(88,544)	17	0	(176,697)	(352,833)
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Notes	145,000					145,000
Transfers-In	54,212	176,261			167,794	398,267
Advances-In	50,000	50,000				100,000
Transfers-Out	(342,382)	(81,659)				(424,041)
Advances-Out	(50,000)	(50,000)				(100,000)
Other Sources	9,237	110,457				119,694
Other Uses		(108,967)				(108,967)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(133,933)</b>	<b>96,092</b>	<b>0</b>	<b>0</b>	<b>167,794</b>	<b>129,953</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(221,542)	7,548	17	0	(8,903)	(222,880)
Fund Cash Balances, January 1	420,435	444,865	11,718	0	62,606	939,624
<b>Fund Cash Balances, December 31</b>	<b>\$198,893</b>	<b>\$452,413</b>	<b>\$11,735</b>	<b>\$0</b>	<b>\$53,703</b>	<b>\$716,744</b>
Reserves for Encumbrances, December 31	\$155,803	\$27,435	\$0	\$0	\$57,936	\$241,174

The notes to the financial statements are an integral part of this statement.

CITY OF STRUTHERS  
MAHONING COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$836,641	\$335	\$836,976
Licenses, Permits & Fees	284,751		284,751
Miscellaneous	10,842		10,842
Total Operating Cash Receipts	<u>1,132,234</u>	<u>335</u>	<u>1,132,569</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	1,098,238	2,125	1,100,363
Supplies and Materials	1,112,140		1,112,140
Capital Outlay	284,271		284,271
Total Operating Cash Disbursements	<u>2,494,649</u>	<u>2,125</u>	<u>2,496,774</u>
Operating Income/(Loss)	<u>(1,362,415)</u>	<u>(1,790)</u>	<u>(1,364,205)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	1,611,582	2,925	1,614,507
Earnings on Investments	4,140		4,140
Other Non-Operating Receipts	287	800,255	800,542
Total Non-Operating Cash Receipts	<u>1,616,009</u>	<u>803,180</u>	<u>2,419,189</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	261,940		261,940
Interest Payment	94,300		94,300
Other Non-Operating Disbursements		794,252	794,252
Total Non-Operating Cash Disbursements	<u>356,240</u>	<u>794,252</u>	<u>1,150,492</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(102,646)	7,138	(95,508)
Transfers-In	33,382		33,382
Transfers-Out	(7,608)		(7,608)
Net Receipts Over/(Under) Disbursements	(76,872)	7,138	(69,734)
Fund Cash Balances, January 1	774,830	125,114	899,944
<b>Fund Cash Balances, December 31</b>	<b><u>\$697,958</u></b>	<b><u>\$132,252</u></b>	<b><u>\$830,210</u></b>
Reserve for Encumbrances, December 31	<u>\$104,139</u>	<u>\$13,813</u>	<u>\$117,952</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF STRUTHERS  
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2003**

---

<b>FUND TYPES/FUNDS</b>	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$3,454,578	\$4,027,189	\$ 572,611
Special Revenue Funds	607,491	1,571,724	964,233
Debt Service Fund		17	17
Capital Projects Funds		330,413	330,413
<b>PROPRIETARY FUND TYPE:</b>			
Enterprise Funds	2,575,000	2,781,625	206,625
<b>FIDUCIARY FUND TYPE:</b>			
Expendable Trust Funds	<u>70,616</u>	<u>233,420</u>	<u>162,804</u>
<b>Total (Memorandum Only)</b>	<b><u>\$6,707,685</u></b>	<b><u>\$8,944,388</u></b>	<b><u>\$2,236,703</u></b>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF STRUTHERS  
MAHONING COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2003**

---

<b>FUND TYPES/FUNDS</b>	<b>PRIOR YEAR CARRYOVER APPROPRIATIONS</b>	<b>2003 APPROPRIATIONS</b>	<b>TOTAL</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$195,882	\$3,641,002	\$3,836,884
Special Revenue Funds	43,066	579,409	622,475
Capital Projects Funds			
<b>PROPRIETARY FUND TYPE:</b>			
Enterprise Funds	92,309	2,697,122	2,789,431
<b>FIDUCIARY FUND TYPE:</b>			
Expendable Trust Funds	<u>61,797</u>	<u>64,808</u>	<u>126,605</u>
Total (Memorandum Only)	<u>\$393,054</u>	<u>\$6,982,341</u>	<u>\$7,375,395</u>

*The notes to the financial statements are an integral part of this statement.*

---

<b>ACTUAL 2003 DISBURSEMENTS</b>	<b>ENCUMBRANCES OUTSTANDING AT 12-31-03</b>	<b>TOTAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
\$4,248,731	\$155,803	\$4,404,534	\$ (567,650)
1,564,176	27,435	1,591,611	(969,136)
330,413		330,413	(330,413)
2,858,497	104,139	2,962,636	(173,205)
<u>242,323</u>	<u>57,936</u>	<u>300,259</u>	<u>(173,654)</u>
<u>\$9,244,140</u>	<u>\$345,313</u>	<u>\$9,589,453</u>	<u>\$(2,214,058)</u>

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The City of Struthers (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City operates under a Council-Mayor form of government and provides the following services: Public safety, public service, health, recreation and development. Educational services are provided by the Struthers City School District. The School District is a separate governmental entity and its financial statements are not included in these financial statements.

The City's management believes the financial statements included in this report represent all of the funds over which City officials have the ability to exercise direct operating control.

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. Cash and Investments**

The City uses a local bank to manage its cash investments. Each night the bank balance is swept into an overnight repurchase agreement. Mutual funds are recorded at share values reported by the mutual fund.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

The City 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 recording 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 type of funds are as follows:

**1. General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds of specific revenue sources (other than Expendable Trust or Capital Projects Funds) that are legally restricted to disbursements for specified purposes.

**3. Debt Service Funds**

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**4. Capital Projects Fund**

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary or Trust Funds).

**5. Enterprise Funds**

These funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**6. Trust and Agency Funds**

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds and Agency Funds.

**E. Intergovernmental Revenues**

The City receives money from state and county shared taxes, and federal and state grants which are recorded as intergovernmental revenue when received.

**F. Interfund Transactions**

During the course of normal operations, the City has transactions between funds to subsidize operations, make reimbursements and advance monies. Interfund transactions are recorded when transfers and advances are made.

**G. Budgetary Process**

The Ohio Revised Code requires that each fund (except for certain agency funds) be budgeted annually.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year unencumbered fund cash balances. The County Budget Commission must also approve estimated resources.

**Encumbrances**

The Ohio Revised Code requires the City to encumber appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**H. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**I. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the City.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The City maintains a cash and investment pool used by all funds.

Legal Requirements: Statutes require the classification of moneys held by the City into three categories. Category 1 consists of "active" moneys, those moneys required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such moneys must be maintained either as cash in the City treasury or in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two year period of designation of depositories. Inactive moneys must be deposited or invested only as certificates of deposit maturing not later than the end of the current designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.



**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

Category 3 consists of "interim" moneys, those moneys which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies can be invested in the following obligations:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be use for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

**Deposits:** At December 31, 2003, the carrying amount of the City's deposits was \$739,884 and the bank balance \$860,084 of pooled funds. Of the bank balance:

1. \$393,277 was covered by federal depository insurance.
2. \$466,807 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**Investments:** At December 31, 2003, the City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name.

	<b>Category 3</b>	<b>Fair Value</b>
Repurchase Agreements	\$491,000	\$491,000
No-Load Money Market Mutual Funds (CDBG Revolving Loan)	<u>316,070</u>	<u>316,070</u>
Total Investments	<u>\$807,070</u>	<u>\$807,070</u>

**3. NONCOMPLIANCE**

Ohio Administrative Code, section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

Contrary to Ohio Revised Code Section 5705.09 (F), the City of Struthers did not establish the required Capital Projects (Issue 2) Funds. Adjustments have been made to properly reflect this activity.

Expenditures plus outstanding encumbrances at December 31, 2003 exceeded the total appropriations available contrary to Ohio Revised Code Section 5705.41(B) in the General Fund by \$567,850, the Street Construction and Maintenance Repair Fund by \$176,512, the Restaurant License Fund by \$639, the Parks Meeting Room by \$6,740, the Elderly Van Fund by \$6,099, the Court Improvement Fund by \$27,528, the Home Health Fund by \$830, the Court Compute Fund by \$22,920, the FY01 CDBG by \$73,702, the Crime Victims Fund by \$14,707, the Waste Water Treatment Plant Fund by \$283,960, the Solid Waste Fund by \$34,056, the Juvenile Diversion Fund by \$17,417, the Economic Development Fund by \$253,491, the FY02 CDBG Fund by \$80,185, the FEMA Fund by \$36,457, the Revolving Loan Fund by \$77,529, the Police Disability Pension Fund by \$107,593, the Fire Disability Pension Fund by \$66,061 and the Sewage Disposal Operating Fund by \$193,915.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**4. DEBT OBLIGATIONS**

Debt outstanding at December 31, 2003 consisted of the following:

Ohio Public Works Commission Loans (OPWC):	
Principal Outstanding	\$528,243
Interest Rate	0%
Ohio Water Development Authority Loan (OWDA):	
Principal Outstanding	\$1,116,143
Interest Rate	2% - 10.84%
Bond Anticipation Notes:	
Principal Outstanding	\$145,000
Interest Rate	2.49%

The OPWC loans are for Wastewater Treatment Plant improvements.

The OWDA loan is for Wastewater Treatment Plant improvements and construction and rehabilitation to sanitary sewers, in which the revenue of the utility facilities have been pledged to repay this debt.

The bond anticipation notes for street resurfacing and fire truck purchase are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

New note debt issued during 2003 was \$145,000.

The annual requirements to amortize the OPWC and OWDA loans, and the bond anticipation notes outstanding as of December 31, 2003, including interest payments of \$189,531, are as follows:

<u>Year Ending December 31</u>	<u>OPWC Loan</u>	<u>OWDA Loan</u>	<u>Bond Anticipation</u>
2004	\$ 36,950	\$ 623,548	\$147,950
2005	36,950	339,588	0
2006	36,950	339,588	0
2007	36,950	0	0
2008	36,950	0	0
2009-2013	184,750	0	0
2014-2018	145,210	0	0
2019-2023	<u>13,533</u>	<u>0</u>	<u>0</u>
Total	<u>\$528,243</u>	<u>\$1,302,724</u>	<u>\$147,950</u>

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**5. PROPERTY TAX – (Continued)**

Public utilities are also taxed on personal and real property located within the City.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The Mahoning County Treasurer collects property tax on behalf of all taxing districts within the county. The Mahoning County Auditor periodically remits to the taxing districts their portions of the taxes collected.

**6. CITY INCOME TAX**

The City levies a municipal income tax of 2% on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

At December 31, 2003, income tax proceeds received into the General Fund totaled \$2,459,068.

**7. RETIREMENT SYSTEMS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**7. RETIREMENT SYSTEMS – (Continued)**

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2003 was 8.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, and 2002, respectively, were \$283,818, and \$229,066; 100 percent has been contributed for 2003 and 2002. There were no contributions to the member-directed plan for 2003.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$139,691 and \$102,632 for the year ended December 31, 2003 and \$ 129,278 and \$95,354 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002

The City has paid all contributions required through December 31, 2003.

**8. LIABILITY AND PROPERTY INSURANCE**

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic health and dental coverage through Professional Risk Management, the third party administrator (TPA) of the program, which reviews and pays claims. Specific excess loss coverage, stop loss insurance policy covers claims in excess of \$25,000 per employee per year. The family medical coverage premiums were \$290.48 per month and single premiums were \$116.99 per month. Dental coverage had no monthly premiums. Claims were paid as received. Administration fees were \$21.30 per employee per month for medical and \$2.25 per month for dental.

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80% coinsured

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion that was used to fund health care for 2003.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2003, the actuarial value of the Retirement System's net assets available for future OPEB payments was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively, at December 31, 2003.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**B. Ohio Police and Fire Pension Funds**

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS - (Continued)**

The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2003, is 13,662 for police officers and 10,474 for firefighters. OP&F's total health care expense for the year ending December 31, 2003, was \$150,853,148, which was net of member contributions of \$17,207,506.

**10. CONTINGENT LIABILITIES**

No significant lawsuits are pending against the City at the time of this report.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**THIS PAGE INTENTIONALLY LEFT BLANK.**





## **Auditor of State Betty Montgomery**

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

Members of Council  
City of Struthers  
6 Elm Street  
Struthers, Ohio 44471

We have audited the financial statements of the City of Struthers, as of and for the year ended December 31, 2003, and have issued our report thereon dated November 29, 2006, which indicated the City has prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of Struthers' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Struthers in a separate letter dated November 29, 2006.

#### **Internal Control Over Financial Reporting**

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Struthers in a separate letter dated November 29, 2006.

Members of Council  
City of Struthers  
Independent Accountants' Report on Compliance and on  
Internal Control Required by Government Auditing Standards  
Page -2-

This report is intended for the information and use of management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

November 29, 2006

CITY OF STRUTHERS  
MAHONING COUNTY  
DECEMBER 31, 2003

SCHEDULE OF FINDINGS

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

Finding Number

2003-001

**Finding for Recovery**

The compensation for Robert Evans was set by councilmatic action, i.e. Ordinance 03-014. As such Mr. Evans can only receive that amount of compensation, in the time frame specified in the ordinance.

The pay for Mr. Evans was recalculated and that amount was compared to his W-2 and the related ordinance. While this amount did correlate to the W-2, it did not correlate to the ordinance amount. This situation was the result of timing differences created from using bi-weekly pay periods in a manner similar to that of hourly employees rather than the calendar year salary amount authorized by City ordinance spread across the year based on the number of pay dates within the calendar year.

We determined that Robert Evans was overpaid during 2003 by seven hundred thirty-eight dollars and fifty-four cents (\$738.54).

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is issued against Robert Evans, and against former City Auditor, Mary Ellen Jones, and her bonding company, The Ohio Casualty Insurance Company in favor of the City of Struthers, in the amount of seven hundred thirty-eight dollars and fifty-four cents (\$738.54).

**Officials' Response:**

The corrective action taken in 2005 to mitigate the overpayment in 2004 and establish paydays, did not resolve the issue of lag time or the overpayment of funds in 2004.

All employees (including those designated as hourly) were all overpaid the salary amount as set by councilmatic action in the 2004 salary ordinances.

We reject the premise that only the employees that left employment with the City in 2003 or 2004 would be designated as overpaid. It is inconceivable that the State Auditor's position on the remaining overpaid employees, still employed by the City, is for the City to deal with the overpayment on a case by case basis as employees leave employment with the City. It is our position that the overpayment of all salaries should be corrected immediately.

The 2004 salaries were at best an error in calculating payroll and the City Auditor was advised of the overpayment at that time.

**Auditor of State's Conclusion:**

The payroll process used by the City treats salaried employees in the same manner as hourly employees. This introduces the element of lag time in the computation of pay to both groups. This is not an issue for hourly employees in that their pay is based on a per hour rate. As was conveyed to the City Mayor and City Law Director, under the Fair Labor Standards Act employees that are eligible for overtime pay are considered hourly employees, e.g. police officers.

The compensation for the salaried officials/employees is set annually by councilmatic action, i.e., ordinance. As such the salaried officials/employees are to receive that amount of compensation, in the time frame specified in the ordinance, which is annually.

**CITY OF STRUTHERS  
MAHONING COUNTY  
DECEMBER 31, 2003**

**SCHEDULE OF FINDINGS  
(Continued)**

The lag time element provides for differences when comparing the salaried officials/employees' W-2 to the amount passed by ordinance. To avoid these differences, consideration should be given to dividing the pay authorized by ordinance to be paid within the year for all salaried employees/officials by the number of pay dates in that year. This should then assure that salaried officials/employees will be paid the amount authorized by ordinance in any given year.

We have recommended a review be performed for all salaried officials/employees, from the inception of their employment as a salaried employee. This review should be a comparison between the actual amount paid, to the amount approved by ordinance. This review should reflect any over- or underpayments made to salaried officials/employees up to the present time. When this calculation is performed is a decision to be made by City management.

<b>Finding Number</b>	<b>2003-002</b>
-----------------------	-----------------

**Noncompliance Citation**

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined up to a maximum of \$750 per Ohio Rev. Code 117.38 and various other administrative remedies may be taken against the City.

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2003-003</b>
-----------------------	-----------------

**Noncompliance Citation**

Ohio Revised Code Section 5705.09(F) requires that a subdivision establish a special fund for each class of revenue derived from a source, other than general property tax, which the law requires to be used for a particular purpose. Furthermore, Auditor of State Bulletin 2002-004 clarifies the application of section 5705.09 to Issue 2 projects, and notes that City Council should establish, by resolution, a separate Capital Projects Fund to account for each Issue 2 project funded from the Ohio Public Works Commission. Additionally, Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The City of Struthers did not establish the required Capital Projects (Issue 2) Funds in accordance with Ohio Revised Code § 5705.09(F). Consequently, the City violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate the related monies.

**CITY OF STRUTHERS  
MAHONING COUNTY  
DECEMBER 31, 2003**

**SCHEDULE OF FINDINGS  
(Continued)**

We recommend that the City establish a separate Capital Projects Fund for each Issue 2 project in order to account for the related receipts and disbursements to the extent the local government has received a benefit from each project and budget for these monies accordingly. (The financial statements include the proper adjustments to reflect the Issue 2 project activity within the Capital Projects Fund.)

**Officials' Response:**

We did not receive a response from Officials to this finding.

<b>Finding Number</b>	<b>2003-004</b>
-----------------------	-----------------

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds in 2003 were found to have actual disbursements plus outstanding encumbrances in excess of prior and current year appropriations by the amounts noted:

<u>Fund</u>	<u>Prior and Current Year Appropriations</u>	<u>Actual Disbursements Plus Outstanding Encumbrances</u>	<u>Variance</u>
General	\$3,836,884	\$4,404,734	(567,850)
<b><u>Special Revenue Funds:</u></b>			
Street Construction			
Maintenance and			
Repair	300,565	477,077	(176,512)
Restaurant License	20,000	20,639	(639)
Meeting Room	25,558	32,298	(6,740)
Elderly Van	4,427	10,526	(6,099)
Court Improvement	1,450	28,978	(27,528)
Home Health	0	830	(830)
Court Computer	378	23,298	(22,920)
FY01 Formula Grant	0	73,702	(73,702)
Crime Victims	0	14,707	(14,707)
WWTP	0	283,960	(283,960)
Solid Waste	5,749	39,805	(34,056)
Juvenile Diversion	2,393	19,810	(17,417)
Economic Development	0	253,491	(253,491)
FY02 CDBG	0	80,185	(80,185)
FEMA	0	36,457	(36,457)
Revolving Loan	0	77,529	(77,529)
<b><u>Enterprise Fund:</u></b>			
Sewage Disposal Operating	2,449,431	2,643,346	(193,915)
<b><u>Expendable Trust Funds:</u></b>			
Police Disability	66,858	174,451	(107,593)
Fire Disability	59,747	125,808	(66,061)

**Officials' Response:**

We did not receive a response from Officials to this finding.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END  
DECEMBER 31, 2003**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2002-001	Ohio Administrative Code Section 117-2-03 (B) - The City does not report on GAAP.	No	Not Corrected. Reported again as finding 2003-002.
2002-002	Ohio Revised Code Section 5705.09 (F) – The City did not set up a fund for Issue 2 projects.	No	Not Corrected. Reported again as finding 2003-003.
2002-003	Ohio Revised Code Section 5705.41(B) - Actual disbursements plus outstanding encumbrances in excess of prior and current year appropriations in various funds	No	Not Corrected. Reported again as finding 2003-004.



**Mary Taylor, CPA**  
Auditor of State

**CITY OF STRUTHERS**

**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  
JULY 12, 2007**