



**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

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CITY OF STRUTHERS
MAHONING COUNTY

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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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information City of Struthers, Mahoning County, (the City) as of and for the year ended December 31, 2004. 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 discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. 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 respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Struthers, Mahoning County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and the Revolving Loan Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the City revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

This discussion and analysis of the City of Struthers' financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004, within the limitations of the City's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Highlights

Key highlights for 2004 are as follows:

Net assets of governmental activities decreased \$107,254, or 15 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds.

The City's general receipts are primarily property and income taxes. These receipts represent respectively 8.5 and 62 percent of the total cash received for governmental activities during the year. Property tax receipts for 2004 changed very little compared to 2003. Income tax receipts decreased by nearly \$40,000 from 2003 to 2004.

The sewage disposal operation, the City's lone business-type activity, showed a gain of \$4,702 before transfers out of administrative services. The main source of funding for the sewage disposal plant is a 64.5 percent reimbursement received from Mahoning County which is based on spending.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

City of Struthers
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As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the City did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial condition, you should also consider other nonfinancial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the City into two types of activities:

Governmental activities. Most of the City's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The City has one business-type activity, sewage disposal. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the City's Most Significant Funds

Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the City are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the City's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The City's major governmental funds are the General Fund and Revolving Loan Fund.

City of Struthers
Management's Discussion and Analysis
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The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The City has two enterprise funds, the sewage disposal and sewage disposal sinking funds. When the services are provided to other departments of the City, the service is reported as an internal service fund. The City has no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City's programs.

The Government as a Whole

Table 1 provides a summary of the City's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Cash and Cash Equivalents	609,487	716,741	730,469	697,958	1,339,956	1,414,699
Total Assets	609,487	716,741	730,469	697,958	1,339,956	1,414,699
Net Assets						
Restricted for:						
Debt Service	11,757	11,735	590,771	529,754	602,528	541,489
Other Purposes	513,210	506,114			513,210	506,114
Unrestricted	84,520	198,892	139,698	168,204	224,218	367,096
Total Net Assets	\$609,487	\$716,741	\$730,469	\$697,958	\$1,339,956	\$1,414,699

As mentioned previously, net assets of governmental activities decreased \$ 107,254 or 15 percent during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Local wages have also not increased, resulting in little change in income tax receipts compared to last year.
- Increases in salaries ranging from 1.5% to 3% based on current negotiated agreements.
- Health benefit costs grew substantially as several employees experienced significant health problems. Last year's claims were \$1,111,319 while this year claims totaled \$1,344,052.

Table 2 reflects the changes in net assets in 2004. Since the City did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

City of Struthers
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Changes in Net Assets

	Governmental Activities 2004	Business Type Activities 2004	Total 2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$494,887	\$1,179,386	\$1,674,273
Operating Grants and Contributions	661,104	1,539,029	2,200,133
Capital Grants and Contributions	375,875		375,875
Total Program Receipts	<u>1,531,866</u>	<u>2,718,415</u>	<u>4,250,281</u>
General Receipts:			
Property and Other Local Taxes	2,906,614		2,906,614
Grants and Entitlements Not Restricted to Specific Programs	308,016		308,016
Interest	20,333	3,588	23,921
Miscellaneous	582,747	169,169	751,916
Total General Receipts	<u>3,817,710</u>	<u>172,757</u>	<u>3,990,467</u>
Total Receipts	<u>5,349,576</u>	<u>2,891,172</u>	<u>8,240,748</u>
Disbursements:			
General Government	2,042,339		2,042,339
Security of Persons and Property:	1,999,362		1,999,362
Public Health Services	80,993		80,993
Leisure Time Activities	82,828		82,828
Community Environment	90,547		90,547
Transportation	513,618		513,618
Capital Outlay	348,070		348,070
Debt Service	147,950		147,950
Miscellaneous	184,331		184,331
Sewage Disposal		2,517,821	2,517,821
Sewage Disposal Sinking		307,632	307,632
Total Disbursements	<u>5,490,038</u>	<u>2,825,453</u>	<u>8,315,491</u>
Excess (Deficiency) Before Transfers	(140,462)	65,719	(74,743)
Transfers	33,208	(33,208)	0
Increase (Decrease) in Net Assets	<u>(107,254)</u>	<u>32,511</u>	<u>(74,743)</u>
Net Assets, January 1, 2004	<u>716,741</u>	<u>697,958</u>	<u>1,414,699</u>
Net Assets, December 31, 2004	<u>\$609,487</u>	<u>\$730,469</u>	<u>\$1,339,956</u>

Program receipts represent 52 percent of total receipts and are primarily comprised of

General receipts represent 48 percent of the City's total receipts, and of this amount, over 76 percent are local taxes. State and federal grants and entitlements make up the balance of the City's general receipts 24 percent. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the City and the support services provided for the other City activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 2% of General Fund unrestricted receipts.

City of Struthers
Management's Discussion and Analysis
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Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the City to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the City. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 37 and 36 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 9 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
General Government	\$2,042,339	(\$1,735,224)
Security of Persons and Property	1,999,362	(1,730,819)
Public Health Services	80,993	(66,965)
Leisure Time Activities	82,828	(74,106)
Community Environment	90,547	9,535
Transportation	513,618	(91,106)
Capital Outlay	348,070	27,805
Debt Service	147,950	(132,371)
Miscellaneous	184,331	(164,921)
Total Expenses	<u>\$5,490,038</u>	<u>(\$3,958,172)</u>

The dependence upon property and income tax receipts is apparent as over 73 percent of governmental activities are supported through these general receipts.

Business-type Activities

The sewage operation of the City routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the City has begun discussing the need for major repairs and how these will be funded. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards. There is also a storm water management project underway.

City of Struthers
Management's Discussion and Analysis
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Unaudited

The City's Funds

Total governmental funds had receipts of \$5,057,908 and disbursements of \$5,305,707. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$114,372 as the result of increased costs for salaries and benefits and not achieving anticipated growth in income and property tax receipts.

General Fund receipts were less than disbursements by \$131,788 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2005 including cuts in park repairs and maintenance and reductions in office personnel. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2004, the City amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$3,844,403 while actual disbursements were \$4,132,078. Although receipts failed to live up to expectations, appropriations were not reduced. The City kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$114,372 for 2004

Capital Assets and Debt Administration

Capital Assets

While the City does track its capital assets and infrastructure, the City does not report these on the financial statements.

Debt

At December 31, 2004, the City's outstanding debt included \$120,000 in general obligation bonds issued to purchase a fire truck, and \$148,040 in capital leases for facilities and equipment. For further information regarding the City's debt, refer to Notes 11 and 12 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the City. Street repairs have been reduced and all departments have been asked to reduce their spending for supplies by 10-20 percent. No raises, other than those already specified by contract, have been given.

City of Struthers
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to reflect the City's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Tina Morell, Auditor, City of Struthers, 6 Elm Street, Struthers, Ohio 44471.

City of Struthers
Statement of Net Assets - Modified Cash Basis
December 31, 2004

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
Assets			
Equity in Pooled Cash and Cash Equivalents	\$609,487	\$139,698	\$749,185
Cash and Cash Equivalents with Fiscal/Escrow Agents		590,771	590,771
<i>Total Assets</i>	<u>\$609,487</u>	<u>\$730,469</u>	<u>\$1,339,956</u>
Net Assets			
Restricted for:			
Capital Projects			
Debt Service	\$11,757	\$590,771	\$602,528
Other Purposes	513,210		513,210
Unrestricted	84,520	139,698	224,218
<i>Total Net Assets</i>	<u>\$609,487</u>	<u>\$730,469</u>	<u>\$1,339,956</u>

See accompanying notes to the basic financial statements

City of Struthers
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2004

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primaty Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$2,042,339	\$215,057	\$92,058		(\$1,735,224)		(\$1,735,224)
Security of Persons and Property	1,999,362	210,531	58,012		(1,730,819)		(1,730,819)
Public Health Services	80,993	8,528	5,500		(66,965)		(66,965)
Leisure Time Activties	82,828	8,722			(74,106)		(74,106)
Community Environment	90,547	9,535	90,547		9,535		9,535
Transportation	513,618	7,525	414,987		(91,106)		(91,106)
Capital Outlay	348,070			\$375,875	27,805		27,805
Debt Service	147,950	15,579			(132,371)		(132,371)
Miscellaneous	184,331	19,410			(164,921)		(164,921)
<i>Total Governmental Activities</i>	<u>5,490,038</u>	<u>494,887</u>	<u>661,104</u>	<u>375,875</u>	<u>(3,958,172)</u>	<u>\$0</u>	<u>(3,958,172)</u>
Business Type Activites							
Sewage Disposal	2,517,821	837,373	1,539,029			(141,419)	(141,419)
Sewage Disposal Operating-Sinking	307,632	342,013				34,381	34,381
<i>Total Business-Type Activities</i>	<u>2,825,453</u>	<u>1,179,386</u>	<u>1,539,029</u>	<u>0</u>	<u>0</u>	<u>(107,038)</u>	<u>(107,038)</u>
<i>Total Primary Government</i>	<u>\$8,315,491</u>	<u>\$1,674,273</u>	<u>\$2,200,133</u>	<u>\$375,875</u>	<u>(3,958,172)</u>	<u>(107,038)</u>	<u>(4,065,210)</u>
General Receipts							
Property and Other Local Taxes					2,906,614		2,906,614
Grants and Entitlements not Restricted to Specific Programs					308,016		308,016
Interest					20,333	3,588	23,921
Notes Issued					120,000		120,000
Miscellaneous					462,747	169,169	631,916
<i>Total General Receipts</i>					<u>3,817,710</u>	<u>172,757</u>	<u>3,990,467</u>
Transfers					33,208	(33,208)	0
<i>Total General Receipts, Special Item, Transfers and Advances</i>					<u>3,850,918</u>	<u>139,549</u>	<u>3,990,467</u>
Change in Net Assets					(107,254)	32,511	(74,743)
<i>Net Assets Beginning of Year</i>					<u>716,741</u>	<u>697,958</u>	<u>1,414,699</u>
<i>Net Assets End of Year</i>					<u>\$609,487</u>	<u>\$730,469</u>	<u>\$1,339,956</u>

See accompanying notes to the basic financial statements

City of Struthers
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Revolving Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$84,519	\$312,409	\$212,559	\$609,487
Fund Balances				
Reserved:				
Reserved for Encumbrances	46,105		7,562	53,667
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	38,414			38,414
Special Revenue Funds		312,409	204,997	517,406
<i>Total Fund Balances</i>	<u>\$ 84,519</u>	<u>\$ 312,409</u>	<u>\$ 212,559</u>	<u>\$ 609,487</u>

See accompanying notes to the basic financial statements

City of Struthers
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$2,791,000		\$115,614	\$2,906,614
Charges for Services	24,204		58,901	83,105
Fines, Licenses and Permits	345,636		66,146	411,782
Intergovernmental	308,016		1,036,979	1,344,995
Interest	2,883	\$17,428	22	20,333
Miscellaneous	277,592		13,487	291,079
<i>Total Receipts</i>	<u>3,749,331</u>	<u>17,428</u>	<u>1,291,149</u>	<u>5,057,908</u>
Disbursements				
Current:				
General Government	1,887,720		154,619	2,042,339
Security of Persons and Property	1,698,784		300,578	1,999,362
Public Health Services	80,993			80,993
Leisure Time Activities	65,672		17,156	82,828
Community Environment			90,547	90,547
Transportation			513,618	513,618
Capital Outlay			348,070	348,070
Debt Service:				
Principal Retirement	145,000			145,000
Interest and Fiscal Charges	2,950			2,950
<i>Total Disbursements</i>	<u>3,881,119</u>	<u>-</u>	<u>1,424,588</u>	<u>5,305,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(131,788)</u>	<u>17,428</u>	<u>(133,439)</u>	<u>(247,799)</u>
Other Financing Sources (Uses)				
Notes Issued	120,000			120,000
Transfers In	54,797		225,978	280,775
Transfers Out	(204,855)		(42,712)	(247,567)
Other Sources	47,473	93,706	30,489	171,668
Other Uses		(114,795)	(69,536)	(184,331)
<i>Total Other Financing Sources (Uses)</i>	<u>17,415</u>	<u>(21,089)</u>	<u>144,219</u>	<u>140,545</u>
<i>Net Change in Fund Balances</i>	(114,373)	(3,661)	10,780	(107,254)
<i>Fund Balances Beginning of Year</i>	<u>198,892</u>	<u>316,070</u>	<u>201,779</u>	<u>716,741</u>
<i>Fund Balances End of Year</i>	<u>\$84,519</u>	<u>\$312,409</u>	<u>\$212,559</u>	<u>\$609,487</u>

See accompanying notes to the basic financial statements

City of Struthers
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	2,779,500	2,937,754	2,791,000	(146,754)
Charges for Services	150,000	188,828	24,204	(164,624)
Licenses, Permits and Fees	244,300	289,716	345,636	55,920
Intergovernmental	264,048	277,655	308,016	30,361
Interest	3,500	3,237	2,883	(354)
Miscellaneous	57,367	104,125	325,065	220,940
<i>Total receipts</i>	<u>3,498,715</u>	<u>3,801,315</u>	<u>3,796,804</u>	<u>(4,511)</u>
Disbursements				
Current:				
General Government	1,399,447	1,733,744	1,933,824	(200,080)
Security of Persons and Property	1,706,052	1,649,330	1,698,784	(49,454)
Public Health Services	134,826	131,891	80,993	50,898
Leisure Time Activities	153,528	173,488	65,672	107,816
Debt Service:				
Principal Retirement	145,000	145,000	145,000	0
Interest and Fiscal Charges	2,950	2,950	2,950	0
<i>Total Disbursements</i>	<u>3,541,803</u>	<u>3,836,403</u>	<u>3,927,223</u>	<u>(90,820)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(43,088)</u>	<u>(35,088)</u>	<u>(130,419)</u>	<u>(95,331)</u>
Other Financing Sources (Uses)				
Notes Issued			120,000	120,000
Transfers In			54,797	54,797
Transfers Out		(8,000)	(204,855)	(196,855)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(8,000)</u>	<u>(30,058)</u>	<u>(22,058)</u>
<i>Net Change in Fund Balance</i>	(43,088)	(43,088)	(160,477)	(117,389)
<i>Fund Balance Beginning of Year</i>	198,892	198,892	198,892	0
Prior Year Encumbrances Appropriated	<u>155,803</u>	<u>155,803</u>	<u>155,803</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$311,607</u>	<u>\$311,607</u>	<u>\$194,218</u>	<u>(\$117,389)</u>

See accompanying notes to the basic financial statements

City of Struthers
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Major Special Revenue Fund - Revolving Loan Fund
 For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
	Receipts			
Interest			17,428	17,428
Miscellaneous			93,706	93,706
<i>Total receipts</i>	0	0	111,134	111,134
Disbursements				
Miscellaneous			114,795	(114,795)
<i>Total Disbursements</i>	0	0	114,795	(114,795)
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	(3,661)	(3,661)
<i>Net Change in Fund Balance</i>	0	0	(3,661)	(3,661)
<i>Fund Balance Beginning of Year</i>			316,070	(316,070)
<i>Fund Balance End of Year</i>	\$0	\$0	\$312,409	(\$319,731)

See accompanying notes to the basic financial statements

City of Struthers
Statement of Fund Net Assets - Modified Cash Basis
Enterprise Funds
December 31, 2004

	Business-Type Activities		
	Sewage Disposal	Sewage Disposal Sinking Fund	Total Enterprise Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$139,698		\$139,698
Cash and Cash Equivalents with Fiscal/Escrow Agents		\$590,771	590,771
<i>Total Assets</i>	<u>\$139,698</u>	<u>\$590,771</u>	<u>\$730,469</u>
Net Assets			
Unrestricted	<u>\$139,698</u>	<u>\$590,771</u>	<u>\$730,469</u>

See accompanying notes to the basic financial statements.

City of Struthers
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Enterprise Funds
For the Year Ended December 31, 2004*

	Business-Type Activities		
	Sewage Disposal Fund	Sewage Disposal Operating-Sinking	Total Enterprise Funds
Operating Receipts			
Charges for Services	\$532,396	\$342,013	\$874,409
Licenses, Permits and Fees	304,977		304,977
Other Operating Receipts	10,179	23,048	33,227
<i>Total Operating Receipts</i>	<u>847,552</u>	<u>365,061</u>	<u>1,212,613</u>
Operating Disbursements			
Personal Services	1,231,364		1,231,364
Materials and Supplies	942,612		942,612
Capital Outlay	306,895		306,895
<i>Total Operating Disbursements</i>	<u>2,480,871</u>	<u>0</u>	<u>2,480,871</u>
<i>Operating Income (Loss)</i>	<u>(1,633,319)</u>	<u>365,061</u>	<u>(1,268,258)</u>
Non-Operating Receipts (Disbursements)			
Operating Grants	1,539,029		1,539,029
Interest		3,588	3,588
Other Non-Operating Revenues	135,942		135,942
Debt Service - Principal Payment	(36,950)	(249,379)	(286,329)
Interest and Fiscal Charges		(58,253)	(58,253)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>1,638,021</u>	<u>(304,044)</u>	<u>1,333,977</u>
<i>Income (Loss) before Contributions, Transfers and Advances</i>	4,702	61,017	65,719
Transfers Out	(33,208)		(33,208)
<i>Change in Net Assets</i>	(28,506)	61,017	32,511
<i>Net Assets Beginning of Year</i>	<u>168,204</u>	<u>529,754</u>	<u>697,958</u>
<i>Net Assets End of Year</i>	<u>\$139,698</u>	<u>\$590,771</u>	<u>\$730,469</u>

See accompanying notes to the basic financial statements

City of Struthers
Statement of Fiduciary Net Assets - Modified Cash Basis
Agency Funds
December 31, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$105,565</u>
Net Assets	
Unrestricted	<u>\$105,565</u>

See accompanying notes to the basic financial statements

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. REPORTING 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.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. For the City of Struthers this includes the departments and agencies that provide the following services: police and fire protection, emergency medical, parks, recreation, street maintenance and municipal court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

The City's basic financial statements consist of a government-wide statement of net assets and a statement of activities and fund financial statements providing a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type. The government-wide statement of net assets presents the cash balance of the governmental and business type activities of the City at year end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the City's governmental activities and for the business type activities of the City. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on a modified cash basis or draws from the City's general receipts.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Revolving Loan Fund The revolving loan fund accounts for resources accumulated through the repayment of CDBG Revolving Loans.

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

Proprietary Funds The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds. The following are descriptions of the City's enterprise funds.

Sewage Disposal Fund The sewage disposal fund accounts for sewer services to the residential and commercial users located within the City. The costs of providing these services are financed primarily through user charges.

Sewage Disposal Operating-Sinking Fund The sewage disposal operating-sinking fund accounts for the repayment of debt obligations related to the City's sewage disposal operations.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City only utilizes the agency fund type. The agency funds accounts for the sewer amounts collected and paid to Mahoning County and amounts collected by the municipal court that are paid to other governments.

C. *Basis of Accounting*

The City's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the City are described in the appropriate section in the note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. *Cash and Cash Equivalents*

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2004 amounted to \$2,883, all of which was assigned from other City funds.

The City values investments and cash equivalents at cost. For presentation on the financial statements, the City classifies investments of the cash management pool as cash equivalents.

During 2004, the City invested in repurchase agreements, money market funds, and a no-load money market fund. Investments are reported at cost, except for the money market funds and no-load money market fund. The City's money market fund investment is recorded at the amount reported by *Sky Bank* and the no-load money market fund is recorded at the amount reported by National City Bank on December 31, 2004.

The City has segregated bank accounts for monies held in escrow for the repayment of sewage bonds. This account is held separate from the City's central bank account. These depository accounts are presented on the balance sheet as "cash and cash equivalents with fiscal/escrow agents".

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

F. Capital Assets

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's modified cash basis of accounting.

H. Long-term Obligations

The City's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments are reported when paid.

I. Fund Balance Reserves

The City reserves any portion of fund balances legally segregated for a specific future use or which are not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

J. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws, or regulations of other governments have imposed limitations on their use. The City first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

K. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses; proprietary funds report transfers after non-operating receipts and disbursements. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

L. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the object level for all funds. Any budgetary modifications at this level may only be made by ordinance of the City Council.

The certificate of estimated resources may be amended during the year if the City Finance Director projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate of estimated resources when the City Council adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations ordinance were passed by City Council.

The City Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation ordinance for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation ordinance the City Council passed during the year.

3. CHANGE IN BASIS OF ACCOUNTING

Last year the City reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in note 2, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

4. COMPLIANCE

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.

The City did not establish a required Capital Projects Fund for an Issue II project as required by Ohio Revised Code Section 5705.09 and Auditor of State Bulletin 2002-004.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. COMPLIANCE – (Continued)

Expenditures plus outstanding encumbrances at December 31, 2004 exceeded the total appropriations available contrary to Ohio Revised Code Section 5705.41(B) in the Street Construction and Maintenance Repair Fund by \$87,570, the Restaurant License Fund by \$121, the Elderly Van Fund by \$11,125, the Court Improvement Fund by \$34,482, the Home Health Fund by \$3,200, the Court Compute Fund by \$7,054, the Crime Victims Fund by \$5,967, the Waste Water Treatment Plant Fund by \$12,040, the Solid Waste Fund by \$32,708, the Juvenile Diversion Fund by \$19,812, the Economic Development Fund by \$27,298, the FY02 CDBG Fund by \$796, the FEMA Fund by \$5,843, the Revolving Loan Fund by \$114,795, the Drug Enforcement Fund by \$15,280, the Federal Grant Activity Fund by \$1,406, the Drug Fine Fund by \$4,619, the Federal Forfeiture Fund by \$21,682, the Law Enforcement Fund by \$941, the Fire Grant Fund by \$58,012, the Clean Ohio Fund by \$90,547, the FY03 CDBG fund by \$35,881, the Police Disability Pension Fund by \$77,697, the Fire Disability Pension Fund by \$42,573 and the Sewage Disposal Operating Fund by \$94,151.

5. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is that outstanding year end encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The general fund encumbrances outstanding at year end (budgetary basis) amounted to \$46,105.

6. DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies can be deposited or invested in the following:

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;

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

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 exceeds 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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts
6. 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 through eligible institutions; and,
7. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used 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.

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

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

GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, requires disclosures to help assess actual and potential future deposit and investment market and credit risks". The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement 3.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

Deposits At year-end, the carrying amount of the City's deposits was \$684,112 and the bank balance was \$1,033,608. Of the bank balance:

1. \$505,586 was covered by federal depository insurance.
2. \$528,022 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.

Investments: At December 31, 2004, 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.

	Category 3	Fair Value
Repurchase Agreements	\$449,000	\$449,000
No-Load Money Market Mutual Funds (CDBG Revolving Loan)	<u>312,409</u>	<u>312,409</u>
Total Investments	<u>\$761,409</u>	<u>\$761,409</u>

7. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. PROPERTY TAXES – (Continued)

The full tax rate for all City operations for the year ended December 31, 2004 was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$ 81,036,890
Other Real Estate	11,719,620
Public Utility Personal Property	6,387,090
Tangible Personal Property	<u>8,317,388</u>
Total	<u>\$107,460,988</u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-city taxpayers are due September 20. Single city taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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

8. INCOME TAX

The City levies and collects an income tax of 2 percent on all income earned within the City as well as on income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. In 2004, the proceeds were allocated to the general fund.

9. CONTINGENCIES

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2004.

B. Litigation

The City of Struthers is a party to legal proceedings. The City management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

10. RISK MANAGEMENT

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 \$30,000 per employee per year. The family medical coverage premiums were \$283.70 per month and single premiums were \$133.17 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 of Struthers is exposed to various risks of loss to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disaster. During 2004, the City contracted with a private insurance company for various types of insurance coverage as follows:

<u>Type</u>	<u>Coverage</u>	<u>Deductible</u>
Inland Marine		\$ 1,000
• Miscellaneous Property	\$ 10,000	
• Fire/Rescue Equipment	40,000	
• Scheduled Equipment	1,118,178	
Property	29,533,158	1,000
Boiler	29,533,158	1,000
Electronic Data Processing		500
• Hardware	50,000	
• Software	10,000	
General Liability		None
• Each Occurrence	1,000,000	
• Personal & Advertising	1,000,000	
• General Aggregate	3,000,000	
• Medical Expense Per Person	10,000	
• Medical Expense Annual Aggregate	50,000	
• Employer's Liability	1,000,000	
Public Officials Liability		5,000
• Each Wrongful Act	1,000,000	
• Aggregate	3,000,000	
Law Enforcement Liability		5,000
• Each Wrongful Act	1,000,000	
• Aggregate	3,000,000	
Fleet:		Comprehensive 250 Collision 500
• Combined Single Limit	1,000,000	

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

Workers' compensation is provided by the State. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. *Ohio Public Employees Retirement System*

The City of Struthers 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 percent 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 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, 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 percent of their annual covered salaries to fund pension obligations. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent 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, 2004, 2003 and 2002, respectively, were \$248,233, \$283,818, and \$229,066; 93 percent has been contributed for 2004 and 100 percent for 2003 and 2002. There were no contributions to the member-directed plan for 2004.

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 information 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.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

11. DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$139,469 and \$98,485 for the year ended December 31, 2004, \$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. 76 percent for police and 78 percent for firefighters has been contributed for 2004.

12. POSTEMPLOYMENT BENEFITS

A. *Ohio Public Employees Retirement System*

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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post-employment benefits were \$73,279. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

12. POSTEMPLOYMENT BENEFITS – (Continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor 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 Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The City's actual contributions for 2004 that were used to fund post-employment benefits were \$55,518 for police and \$33,142 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

13. LEASES

The City has existing leases for a Sterling Chassis and a copy machine. The City disbursed \$15,987 to pay lease costs for the year ended December 31, 2004. Future lease payments are as follows:

<u>Year Ending December 31</u>	
2005	17,190
2006	17,190
2007	17,190
2008	*117,009
2009	<u>1,204</u>
Total Minimum Lease Payments	169,783
Less: Amount Representing Interest	<u>21,743</u>
Present Value of Minimum Lease	148,040

* - The lease for the Sterling Chassis calls for a balloon payment of 115,805 in 2008.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

14. LONG-TERM OBLIGATIONS

Debt outstanding at December 31, 2004 consisted of the following:

Ohio Public Works Commission Loans (OPWC):		
Principal Outstanding		\$491,292
Interest Rate		0%
Ohio Water Development Authority Loans (OWDA):		
Principal Outstanding		\$1,023,812
Interest Rate		2% - 10.84%
Bond Anticipation Notes:		
Principal Outstanding		\$120,000
Interest Rate		2.03%

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 2004 was \$120,000.

The annual requirements to amortize the OPWC and OWDA loans, and the bond anticipation notes outstanding as of December 31, 2004, including interest payments of \$167,829, are as follows:

<u>Year Ending December 31</u>	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>Bond Anticipation</u>
2005	\$ 36,950	\$ 358,855	\$122,436
2006	36,950	358,855	0
2007	36,950	19,267	0
2008	36,950	19,267	0
2009	36,950	19,267	0
2010-2014	184,750	96,335	0
2015-2019	121,792	96,335	0
2020-2024	<u>0</u>	<u>96,335</u>	<u>0</u>
Total	<u>\$491,292</u>	<u>\$1,064,516</u>	<u>\$122,436</u>

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

15. INTERFUND TRANSFERS

During 2004, the following transfers were made:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$54,797	\$204,855
FEMA Fund		5,843
Drug Enforcement Fund		15,280
Home Health Fund		3,200
Restaurant License Fund		18,389
Sewage Disposal Fund		33,208
Crime Victims Fund	7,965	
Elderly Van	8,000	
Fire Pension Fund	12,309	
Juvenile Diversion Fund	20,000	
Law Enforcement Trust Fund	4,272	
Mandatory Drug Fine Fund	11,008	
Police Pension Fund	108,610	
Solid Waste Fund	17,064	
Street Construction Maintenance and Repair Fund	<u>36,750</u>	<u> </u>
Totals	<u>\$280,775</u>	<u>\$280,775</u>

Transfers are used to move revenues from the fund that statute of budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

16. 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.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Struthers
Mahoning County
6 Elm Street
Struthers, Ohio 44471

To the Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Struthers (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2006, wherein we noted the City did not follow accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 2004-001 through 2004-004.

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.

City of Struthers
Mahoning County
Independent Accountants' Report on Internal Control Over
Financial Reporting and On Compliance and Other Matters
Required By *Government Auditing Standards*
Page -2-

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.

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**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

Finding Number	2004-001
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Findings for Recovery

The compensation for the salaried officials/employees listed below is set by councilmatic action, i.e. Ordinances 03-084, 04-001, 04-029, and 04-033. As such the officials/employees can only receive that amount of compensation, in the time frame specified in the ordinance.

The pay for the salaried employees and officials was recalculated and that amount was compared to the W-2s and the related ordinances. While these amounts did correlate to the W-2s, they did not correlate to the ordinance amounts. 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 noted incorrect payments to the following City officials and employees:

<u>Elected Officials</u>	Net
Position/Name	(Overpaid)
<u>Council</u>	
Terry Stocker	\$ (261.19)
Daniel Thomas	\$ (248.24)
 <u>Elected Administrative</u>	
*Auditor/Mary Ellen Jones	\$ (1,403.10)
 <u>Salaried Employees</u>	
*Mayor's Secretary/Arlene Cramer	\$ (1,472.19)

* Bonded by The Ohio Casualty Insurance Company

A Finding for Recovery, pursuant to Ohio Rev. Code § 117.28, for public money illegally expended is issued against the above individuals and their respective bonding companies, if applicable, and against City Auditor, Tina Morell, and her bonding company, The Ohio Casualty Insurance Company and in favor of the City of Struthers in the amounts listed above.

Terry Stocker and Arlene Cramer repaid the full amount of overpayment.

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.

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)**

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.

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.

Finding Number	2004-002
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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.

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)**

Finding Number – (Continued)	2004-002
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Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). 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.

Since the City did not report on GAAP as required, no GAAP conversion was performed and GAAP amounts are not available.

Officials' Response:

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

Finding Number	2004-003
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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.

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.

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004
(Continued)**

Finding Number	2004-004
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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 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>
<u>Special Revenue Funds:</u>			
Street Construction			
Maintenance and Repair	358,753	446,323	(87,570)
Restaurant License	20,000	20,121	(121)
Elderly Van	1,557	12,682	(11,125)
Court Improvement	3,289	37,771	(34,482)
Home Health	0	3,200	(3,200)
Court Computer	195	7,249	(7,054)
Crime Victims	0	5,967	(5,967)
WWTP	0	12,040	(12,040)
Solid Waste	145	32,853	(32,708)
Drug Enforcement	0	15,280	(15,280)
Juvenile Diversion	0	19,812	(19,812)
Economic Development	0	27,298	(27,298)
FY02 CDBG	0	796	(796)
FEMA	0	5,843	(5,843)
Revolving Loan	0	114,795	(114,795)
Activity Fund	0	1,406	(1,406)
Drug Fine	0	4,619	(4,619)
Federal Forfeiture	0	21,682	(21,682)
Law Enforcement	0	941	(941)
Fire Grant	0	58,012	(58,012)
Clean Ohio	0	90,547	(90,547)
FY03 CDBG	0	35,881	(35,881)
<u>Enterprise Fund:</u>			
Sewage Disposal Operating	2,493,803	2,587,954	(94,151)
<u>Expendable Trust Funds:</u>			
Police Disability	61,790	139,469	(77,679)
Fire Disability	55,912	98,485	(42,573)

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, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Finding for Recovery- Overpayment due to calculation error	No	Additional Findings for Recovery due to overpayments in 2004.
2003-002	Ohio Administrative Code Section 117-2-03 (B) - The City does not report on GAAP.	No	City did issue OCBOA statements for 2004. Reported again as finding 2004-002.
2003-003	Ohio Revised Code Section 5705.09 (F) – The City did not set up a fund for Issue 2 projects.	No	Reported again as finding 2004-003.
2003-004	Ohio Revised Code Section 5705.41(B) - Actual disbursements plus outstanding encumbrances in excess of prior and current year appropriations in various funds	No	Reported again as finding 2004-004.



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**