



Dave Yost • Auditor of State

**CITY OF STRUTHERS
MAHONING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements 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 (the City), as of and for the years ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Sewer billings are processed by a service organization independent of the City. The City was not able to provide us with information we requested regarding the design or proper operation of the service organization's internal controls or with certain information regarding charges for services. We were therefore unable to satisfy ourselves as to the proper processing of sewer billings revenues. Those revenues represent 33% of the receipts reported with the business type activities and the Statement of Receipts, Disbursements and Changes in Net Cash Assets – Enterprise Funds, as well as 33% and 16% of revenues in the Sewage Disposal and Sewage Disposal Sinking Funds, respectively.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This 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, except for the effects of such adjustments, if any as might have been necessary had we been able to examine certain information regarding sewer billings receipts reported with the business type activities and the Sewage Disposal Fund and Sewage Disposal Sinking Fund as described in paragraph three above, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business type activities, the Sewage Disposal Fund and Sewage Disposal Sinking Fund of the City of Struthers, Mahoning County, Ohio, as of December 31, 2009, and the respective changes in cash financial position, thereof for the year then ended in conformity with the accounting basis Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Governmental Activities, the General Fund, Revolving Loan fund and the aggregate remaining fund information of the City of Struthers, Mahoning County, Ohio, as of December 31, 2009 and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and Revolving Loan Funds thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the City's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the supplementary information of the business type activities and the Sewage Disposal Fund and Sewage Disposal Sinking Fund as described in paragraph three above, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

July 25, 2012

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (UNAUDITED)

The management's discussion and analysis of the City of Struthers' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009, within the limitations of the City's cash basis of accounting. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- The total net cash assets of the City decreased \$344,431. Net cash assets of governmental activities increased \$65,932, which represents a 11.01% increase from fiscal year 2008. Net cash assets of business-type activities decreased \$410,363 or 51.46% from fiscal year 2008.
- General cash receipts accounted for \$3,664,762 or 68.30% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,700,726 or 31.70% of total governmental activities cash receipts.
- The City had \$5,299,556 in cash disbursements related to governmental activities; \$1,700,726 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$3,664,762 were adequate to provide for these programs.
- The City's major governmental funds are the general fund and the revolving loan fund. The general fund, the City's largest major fund, had cash receipts of \$3,906,218 in 2009. The cash disbursements and other financing disbursements of the general fund, totaled \$3,749,323 in 2009. The general fund's cash balance increased \$156,895 from 2008 to 2009.
- The revolving loan fund, a City major fund, had cash receipts of \$64,177 in 2009. The revolving loan fund had cash disbursements of \$170,029 in 2009. The revolving loan fund cash balance decreased \$105,852 from 2008 to 2009.
- The City's major enterprise funds are the sewage disposal operating fund and the sewage disposal sinking fund. Net cash assets for the sewage disposal fund decreased in 2009 by \$39,839 or 28.39%. Net assets for the sewage disposal sinking fund decreased in 2009 by \$336,416 or 57.79%.

Using these Cash Basis Basic Financial Statements (BFS)

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

The statement of net assets – cash basis and statement of activities – cash basis provide information about the activities of the whole City, presenting an aggregate view of the City's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City, there are two major governmental funds. The general fund is the largest major fund.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (UNAUDITED)

Reporting the City as a Whole

Statement of net assets and the statement of activities

The statement of net assets – cash basis and the statement of activities – cash basis answer the question, “How did we do financially during 2009?” These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the City’s net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the City as a whole, the cash basis financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City’s property and income tax base and current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and 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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets – cash basis and the statement of activities – cash basis, the City is divided into two distinct kinds of activities. Governmental Activities - Most of the City’s programs and services are reported here including human services, health, public safety, public works and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The City’s sewer disposal fund, sewer sinking fund and sewer capital fund are reported as business-type activities.

The statement of net assets – cash basis and the statement of activities – cash basis can be found on pages 14-16 of this report.

Reporting the City’s Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City’s major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City’s most significant funds. The City’s major governmental funds are the general fund and revolving loan fund. The analysis of the City’s major governmental funds begins on page 10.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (UNAUDITED)

Governmental Funds

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various City programs. Since the City is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 17-18 of this report.

The City's budgetary process accounts for certain transactions on a cash basis. Budgetary statements for the general fund and the revolving loan fund are presented to demonstrate the City's compliance with annually adopted budgets. The budgetary statements can be found on pages 19-20 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the City as a whole. The City uses enterprise funds to account for sewage disposal operations, sewage sinking fund operations and sewage disposal operations capital projects. The enterprise fund statements can be found on pages 21-22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's only fiduciary fund is an agency fund. Only the cash held at year-end for the agency funds is reported on page 23.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-42 of this report.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

Government-Wide Financial Analysis

Recall that the statement of net assets – cash basis provides the perspective of the City as a whole.

The table below provides a summary of the City's net cash assets at December 31, 2009 and 2008.

	Net Cash Assets					
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 664,824	\$ 141,378	\$ 598,892	\$ 215,325	\$ 806,202	\$ 814,217
Cash and cash equivalents with fiscal/escrow agents	<u>-</u>	<u>245,679</u>	<u>-</u>	<u>582,095</u>	<u>245,679</u>	<u>582,095</u>
Total assets	<u>664,824</u>	<u>387,057</u>	<u>598,892</u>	<u>797,420</u>	<u>1,051,881</u>	<u>1,396,312</u>
<u>Net cash assets</u>						
Restricted	358,329	245,679	442,959	582,095	604,008	1,025,054
Unrestricted	<u>306,495</u>	<u>141,378</u>	<u>155,933</u>	<u>215,325</u>	<u>447,873</u>	<u>371,258</u>
Total net cash assets	<u>\$ 664,824</u>	<u>\$ 387,057</u>	<u>\$ 598,892</u>	<u>\$ 797,420</u>	<u>\$ 1,051,881</u>	<u>\$ 1,396,312</u>

The total net cash assets of the City decreased \$344,431. Net cash assets of governmental activities increased \$65,932, which represents an 11.01% increase from fiscal year 2008. Net cash assets of business-type activities decreased \$410,363 or 51.46% from fiscal year 2008. The decrease in the business-type activities was primarily due to the elimination of a \$6.00 customer fee in the sewer sinking fund for all of fiscal year 2007 and part of fiscal year 2008. This fee was reinstated for part of fiscal year 2008 and all of fiscal year 2009 at a reduced rate of \$3.00.

The balance of governmental activities unrestricted net cash assets of \$306,495 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF STRUTHERS, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

The table below shows the changes in net cash assets for fiscal year 2009 and 2008.

	Change in Net Cash Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2009 Total	2008 Total
	2009	2009	2008	2008		
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 535,104	\$ 1,077,973	\$ 532,262	\$ 1,127,565	\$ 1,613,077	\$ 1,659,827
Operating grants and contributions	1,165,622	1,994,215	1,623,067	2,027,882	3,159,837	3,650,949
Total program cash receipts	1,700,726	3,072,188	2,155,329	3,155,447	4,772,914	5,310,776
General cash receipts:						
Property and other taxes	2,973,053	-	3,252,721	-	2,973,053	3,252,721
Unrestricted grants	305,860	-	253,293	-	305,860	253,293
Loan proceeds	-	503,439	-	30,360	503,439	30,360
Investment receipts	11,400	1,760	7,190	10,515	13,160	17,705
Miscellaneous	374,449	-	293,527	-	374,449	293,527
Total general cash receipts	3,664,762	505,199	3,806,731	40,875	4,169,961	3,847,606
Total cash receipts	5,365,488	3,577,387	5,962,060	3,196,322	8,942,875	9,158,382
Cash Disbursements:						
General government	1,835,831	-	1,901,460	-	1,835,831	1,901,460
Security of persons and property	1,841,680	-	1,885,504	-	1,841,680	1,885,504
Transportation	500,218	-	668,123	-	500,218	668,123
Public health services	131,205	-	826,291	-	131,205	826,291
Leisure time activities	83,851	-	98,187	-	83,851	98,187
Community environment	412,485	-	286,797	-	412,485	286,797
Miscellaneous	20,029	-	6,396	-	20,029	6,396
Revolving fund loans	150,000	-	-	-	150,000	-
Capital outlay	324,257	-	226,032	-	324,257	226,032
Debt service:						
Principal retirement	-	-	28,000	-	-	28,000
Interest and fiscal charges	-	-	1,270	-	-	1,270
Sewage disposal	-	2,561,205	-	2,873,461	2,561,205	2,873,461
Sewage disposal sinking	-	1,225,168	-	261,141	1,225,168	261,141
Storm water	-	201,377	-	236,545	201,377	236,545
Total cash disbursements	5,299,556	3,987,750	5,928,060	3,371,147	9,287,306	9,299,207
Increase (decrease) in net assets before transfers	65,932	(410,363)	34,000	(174,825)	(140,825)	(140,825)
Transfers	-	-	46,920	(46,920)	-	-
Change in net cash assets	65,932	(410,363)	80,920	(221,745)	(344,431)	(140,825)
Net cash assets at beginning of year	598,892	797,420	517,972	1,019,165	1,396,312	1,537,137
Net cash assets at end of year	\$ 664,824	\$ 387,057	\$ 598,892	\$ 797,420	\$ 1,051,881	\$ 1,396,312

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (UNAUDITED)

Governmental Activities

Governmental cash assets increased by \$65,932 in 2009 from 2008.

General government represents activities related to the governing body as well as activities that directly support City programs. In 2009, general government cash disbursements totaled \$1,835,831, or 34.64% of total governmental cash disbursements. General government programs were supported by \$205,309 in direct charges to users for services.

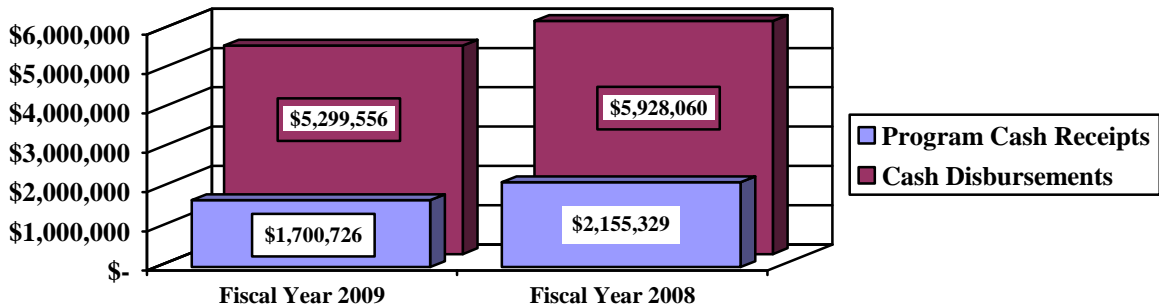
In 2009, the security of persons and property programs accounted for \$1,841,680 or 34.75% of total government cash disbursements. Security of persons and property programs were supported by \$218,716 in direct uses charge and \$50,384 in operating and contributing grants.

In 2009, the transportation projects accounted for \$500,218 or 9.44% of total government cash disbursements. Transportation projects were supported by \$4,435 in direct uses charge and \$428,921 in operating and contributing grants.

In 2009, the community environment programs accounted for \$412,485 or 7.78% of total government cash disbursements. Community environment programs were supported by \$440,202 in operating and contributing grants. The community environment programs are funded by federal grants, the City received more federal grants in 2009.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



CITY OF STRUTHERS, OHIO

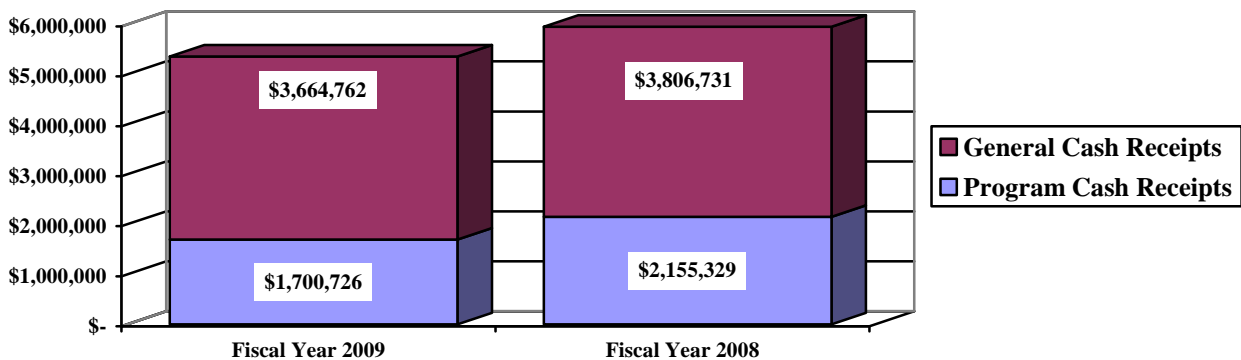
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2009	2009	2008	2008
Cash disbursements:				
Current:				
General government	\$ 1,835,831	\$ 1,630,522	\$ 1,901,460	\$ 1,709,105
Security of persons and property	1,841,680	1,572,580	1,885,504	1,582,493
Transportation	500,218	66,862	668,123	66,789
Public health services	131,205	41,383	826,291	119,716
Leisure time activities	83,851	68,276	98,187	82,947
Community environment	412,485	(27,717)	286,797	(8,600)
Miscellaneous	20,029	20,029	6,396	(35,021)
Revolving fund loans	150,000	89,662	-	-
Capital outlay	324,257	137,233	226,032	226,032
Debt service:				
Principal retirement	-	-	28,000	28,000
Interest and fiscal charges	-	-	1,270	1,270
Total	\$ 5,299,556	\$ 3,598,830	\$ 5,928,060	\$ 3,772,731

The dependence upon general cash receipts for governmental activities is apparent; with 67.91% of cash disbursements supported through taxes and other general cash receipts during 2009.

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The sewage disposal fund, sewage disposal sinking fund and the storm water fund are the City's business-type activities. These programs had cash receipts of \$3,577,387 and cash disbursements of \$3,987,750 for fiscal year 2009. The net cash assets of the programs decreased \$410,363 from 2008.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The City's governmental funds are accounted for using the cash basis of accounting.

The City's governmental funds reported a combined fund cash balance of \$664,824, which is \$65,932 higher than last year's total of \$598,892. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2009 and December 31, 2008, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2009</u>	<u>Fund Cash Balance</u> <u>December 31, 2008</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 314,254	\$ 157,359	\$ 156,895
Revolving loan	115,930	221,782	(105,852)
Other Nonmajor Governmental Funds	<u>234,640</u>	<u>219,751</u>	<u>14,889</u>
Total	<u><u>\$ 664,824</u></u>	<u><u>\$ 598,892</u></u>	<u><u>\$ 65,932</u></u>

General Fund

The general fund, the City's largest major fund, had cash receipts and cash disbursements of \$3,906,218 and \$3,512,785, respectively, in 2009. These amounts exclude other financing receipts and other financing disbursements, which consisted of transfers out in the amount of \$221,538 and advances out of \$15,000 in 2009. The general fund's cash balance increased \$156,895 from 2008 to 2009.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>				
Taxes	\$ 2,844,120	\$ 3,108,108	\$ (263,988)	(8.49) %
Intergovernmental	320,377	253,293	67,084	26.48 %
Charges for services	15,829	17,149	(1,320)	(7.70) %
License, permits and fees	351,114	336,656	14,458	4.29 %
Investment income	329	5,761	(5,432)	(94.29) %
Miscellaneous	<u>374,449</u>	<u>293,527</u>	<u>80,922</u>	27.57 %
Total	<u><u>\$ 3,906,218</u></u>	<u><u>\$ 4,014,494</u></u>	<u><u>\$ (108,276)</u></u>	(2.70) %

Taxes decreased due to a decrease in income taxes received by the City. Investment income decreased due to decreased interest rate on investments. Intergovernmental receipts increased due to an increase in funding received from the State of Ohio. All other 2009 receipts remained consistent with 2008.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/ Decrease</u>	<u>Percentage Change</u>
<u>Cash Disbursements</u>				
General government	\$ 1,758,400	\$ 1,842,608	\$ (84,208)	(4.57) %
Security of persons and property	1,545,917	1,533,513	12,404	0.81 %
Public health service	16,531	79,645	(63,114)	(79.24) %
Leisure time activity	54,704	63,212	(8,508)	(13.46) %
Capital outlay	137,233	226,032	(88,799)	(39.29) %
Debt service				
Principal retirement	-	28,000	(28,000)	(100.00) %
Interest and fiscal charges	-	1,270	(1,270)	(100.00) %
Total	<u>\$ 3,512,785</u>	<u>\$ 3,774,280</u>	<u>\$ (261,495)</u>	(6.93) %

The City closely monitored spending and implemented cost savings when possible, resulting in a decrease in cash disbursements in the general fund of 6.93%. The City made less capital purchases in 2009 than in 2008, resulting in a decrease in capital outlay expenditures. In addition, the City has retired a previously issued bond anticipation note in the amount of \$28,000 in 2008.

Revolving Loan Fund

The revolving loan fund, a City major fund, had cash receipts of \$64,177 in 2009. The revolving loan fund had cash disbursements of \$170,029 in 2009. The revolving loan fund cash balance decreased \$105,852 from 2008 to 2009 due to loan activity which occurred in 2009.

Budgeting Highlights - General Fund

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

For 2009, final budget basis receipts and other financing receipts for the general fund were the same as the original budget estimates of \$3,870,114. Actual cash receipts and other financing receipts of \$3,906,218 were more than final budget estimates by \$36,204. The original budgetary basis disbursements and other financing disbursements were \$3,822,947 and final budgetary basis disbursements and other financing disbursements were \$3,822,627. The actual budgetary basis disbursements and other financing disbursements of \$3,808,670 were \$13,957 less than the final budget estimates.

CITY OF STRUTHERS, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)**

Enterprise Funds

The City's governmental funds are accounted for using the cash basis of accounting.

The City's enterprise funds reported a combined net cash assets of \$387,057, which is \$410,363 below last year's total of \$797,420.

The schedule below indicates the net cash assets and the total change in net cash assets as of December 31, 2009 and December 31, 2008, for all major and nonmajor enterprise funds:

	<u>Fund Cash Balance December 31, 2009</u>	<u>Fund Cash Balance December 31, 2008</u>	<u>(Decrease)</u>
Major Funds:			
Sewage Disposal	\$ 100,467	\$ 140,306	\$ (39,839)
Sewage Disposal Sinking	245,679	582,095	(336,416)
Nonmajor Fund:			
Storm Water	<u>40,911</u>	<u>75,019</u>	<u>(34,108)</u>
Total	<u>\$ 387,057</u>	<u>\$ 797,420</u>	<u>\$ (410,363)</u>

Sewage Disposal Fund

The sewage disposal fund, a City major fund, had operating cash receipts of \$778,562 and operating cash disbursements of \$2,561,205 during 2009. The sewage disposal fund had \$1,742,804 in non-operating cash receipts during 2009. The sewage disposal fund's net cash assets decreased \$39,839 during 2009 from \$140,306 to \$100,467.

Sewage Disposal Sinking Fund

The sewage disposal sinking fund, a City major fund, had operating cash receipts of \$132,142 and operating cash disbursements of \$1,060,549 during 2009. The sewage disposal sinking fund had \$945,014 in non-operating cash receipts and \$353,023 in non-operating disbursements (principal and interest payments on loans). The sewage disposal sinking fund's net cash assets decreased \$336,416 during 2009 from \$582,095 to \$245,679. This decrease was primarily due to a reduction in fees charged to customers.

Capital Assets and Debt Administration

Capital Assets

The City does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The City had capital outlay disbursements of \$1,761,594 (both governmental activities and business-type activities) during fiscal year 2009.

Debt Administration

The City does not record debt obligations in the accompanying cash basis basic financial statements, but records payments for principal and interest as disbursements and proceeds from issuances as receipts.

In the governmental activities, the City had capital lease obligations in the amount of \$281,400 outstanding at December 31, 2009.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009 (UNAUDITED)

In the business-type activities, the City has OWDA loans and OPWC loans outstanding at December 31, 2009. These loans are being repaid from resources of the enterprise operations. Principal payments in 2009 were \$106,801 related to these obligations. The balance of the OWDA and OPWC loans at December 31, 2009 were \$1,343,570 and \$783,934, respectively.

See Note 6 to the basic financial statements for more detail on the City's debt obligations outstanding.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2010:

The City is located in Mahoning County, Ohio, which has an unemployment rate currently of 12.8%, compared to the 10.7% state average and the 10.6% national average.

These economic factors were considered in preparing the City's budget for fiscal year 2010. Budgeted revenues and other financing sources in the general fund for fiscal year 2010 are \$3,466,099. The City has continued to practice conservative budgetary practices in order to preserve a positive financial position in future years.

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 show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Tina Morell, Auditor, City of Struthers, 6 Elm Street, Struthers, Ohio 44471

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CITY OF STRUTHERS, OHIO
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 664,824	\$ 141,378	\$ 806,202
Cash and cash equivalents with fiscal/escrow agents	-	245,679	245,679
Total assets.	<u>664,824</u>	<u>387,057</u>	<u>1,051,881</u>
Net cash assets:			
Restricted for:			
Transportation projects	106,923	-	106,923
Public health services	2,170	-	2,170
Leisure time activities	6,610	-	6,610
General government operations	53,688	-	53,688
Security of persons and property programs	26,635	-	26,635
Revolving loan program.	115,930	-	115,930
Community environment projects	32,400	-	32,400
Debt service	13,973	245,679	259,652
Unrestricted.	<u>306,495</u>	<u>141,378</u>	<u>447,873</u>
Total net cash assets	<u>\$ 664,824</u>	<u>\$ 387,057</u>	<u>\$ 1,051,881</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions
Governmental activities:			
Current:			
General government	\$ 1,835,831	\$ 205,309	\$ -
Security of persons and property.	1,841,680	218,716	50,384
Transportation	500,218	4,435	428,921
Public health services.	131,205	30,731	59,091
Leisure time activities	83,851	15,575	-
Community environment	412,485	-	440,202
Miscellaneous	20,029	-	-
Revolving fund loans.	150,000	60,338	-
Capital outlay.	324,257	-	187,024
Total governmental activities	5,299,556	535,104	1,165,622
Business-Type activities:			
Sewage disposal	2,561,205	778,562	1,554,400
Sewage disposal sinking.	1,225,168	132,142	439,815
Other business-type activities:			
Storm water	201,377	167,269	-
Total business-type activities	3,987,750	1,077,973	1,994,215
Totals	\$ 9,287,306	\$ 1,613,077	\$ 3,159,837

General Cash Receipts:

Property and income taxes for:
General purposes
Road and bridge improvements
Police disability and pensions
Fire disability and pensions
Grants and entitlements not restricted to specific programs.
Loan proceeds
Investment receipts
Miscellaneous
Total general cash receipts.
Change in net cash assets
Net cash assets at beginning of year.
Net cash assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (1,630,522)	\$ -	\$ (1,630,522)
(1,572,580)	-	(1,572,580)
(66,862)	-	(66,862)
(41,383)	-	(41,383)
(68,276)	-	(68,276)
27,717	-	27,717
(20,029)	-	(20,029)
(89,662)	-	(89,662)
(137,233)	-	(137,233)
<u>(3,598,830)</u>	<u>-</u>	<u>(3,598,830)</u>
-	(228,243)	(228,243)
-	(653,211)	(653,211)
<u>-</u>	<u>(34,108)</u>	<u>(34,108)</u>
<u>-</u>	<u>(915,562)</u>	<u>(915,562)</u>
<u>(3,598,830)</u>	<u>(915,562)</u>	<u>(4,514,392)</u>
2,844,120	-	2,844,120
71,228	-	71,228
28,852	-	28,852
28,853	-	28,853
305,860	-	305,860
-	503,439	503,439
11,400	1,760	13,160
374,449	-	374,449
<u>3,664,762</u>	<u>505,199</u>	<u>4,169,961</u>
65,932	(410,363)	(344,431)
<u>598,892</u>	<u>797,420</u>	<u>1,396,312</u>
<u>\$ 664,824</u>	<u>\$ 387,057</u>	<u>\$ 1,051,881</u>

CITY OF STRUTHERS, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<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	\$ 314,254	\$ 115,930	\$ 234,640	\$ 664,824
Total assets	<u>\$ 314,254</u>	<u>\$ 115,930</u>	<u>\$ 234,640</u>	<u>\$ 664,824</u>
Fund cash balances:				
Reserved for encumbrances.	\$ 59,347	\$ -	\$ 23,116	\$ 82,463
Unreserved, undesignated, reported in:				
General fund.	254,907	-	-	254,907
Special revenue funds	-	115,930	197,551	313,481
Debt service funds.	<u>-</u>	<u>-</u>	<u>13,973</u>	<u>13,973</u>
Total fund cash balances	<u>\$ 314,254</u>	<u>\$ 115,930</u>	<u>\$ 234,640</u>	<u>\$ 664,824</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Cash receipts:				
Taxes	\$ 2,844,120	\$ -	\$ 128,933	\$ 2,973,053
Intergovernmental	320,377	-	1,151,105	1,471,482
Charges for services	15,829	-	60,196	76,025
License, permits and fees	351,114	-	39,631	390,745
Interest	329	3,839	7,232	11,400
Principal received	-	60,338	-	60,338
Miscellaneous	374,449	-	7,996	382,445
Total cash receipts	<u>3,906,218</u>	<u>64,177</u>	<u>1,395,093</u>	<u>5,365,488</u>
Cash disbursements:				
Current:				
General government	1,758,400	-	77,431	1,835,831
Security of persons and property	1,545,917	-	295,763	1,841,680
Transportation	-	-	500,218	500,218
Public health services	16,531	-	114,674	131,205
Community environment	-	-	412,485	412,485
Leisure time activities	54,704	-	29,147	83,851
Miscellaneous	-	20,029	-	20,029
Revolving fund loans	-	150,000	-	150,000
Capital outlay	137,233	-	187,024	324,257
Total cash disbursements	<u>3,512,785</u>	<u>170,029</u>	<u>1,616,742</u>	<u>5,299,556</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>393,433</u>	<u>(105,852)</u>	<u>(221,649)</u>	<u>65,932</u>
Other financing receipts (disbursements):				
Advances in	-	-	15,000	15,000
Advances out	(15,000)	-	-	(15,000)
Transfers in	-	-	221,538	221,538
Transfers out	<u>(221,538)</u>	<u>-</u>	<u>-</u>	<u>(221,538)</u>
Total other financing receipts (disbursements)	<u>(236,538)</u>	<u>-</u>	<u>236,538</u>	<u>-</u>
Net change in fund cash balances	156,895	(105,852)	14,889	65,932
Fund cash balances				
at beginning of year	157,359	221,782	219,751	598,892
Fund cash balances at end of year	<u>\$ 314,254</u>	<u>\$ 115,930</u>	<u>\$ 234,640</u>	<u>\$ 664,824</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Taxes	\$ 2,910,244	\$ 2,910,244	\$ 2,937,468	\$ 27,224
Intergovernmental	210,542	210,542	212,512	1,970
Charges for services	15,682	15,682	15,829	147
License, permits and fees	362,342	362,242	365,631	3,389
Interest	326	326	329	3
Miscellaneous	370,978	370,978	374,449	3,471
Total budgetary basis receipts	<u>3,870,114</u>	<u>3,870,014</u>	<u>3,906,218</u>	<u>36,204</u>
Budgetary basis disbursements:				
Current:				
General government	1,748,909	1,805,314	1,811,851	(6,537)
Security of persons and property	1,549,323	1,547,771	1,551,788	(4,017)
Public health services	38,274	38,766	16,531	22,235
Leisure time activities	43,085	56,120	54,729	1,391
Capital outlay	197,300	126,100	137,233	(11,133)
Total budgetary basis disbursements	<u>3,576,891</u>	<u>3,574,071</u>	<u>3,572,132</u>	<u>1,939</u>
Excess of budgetary basis receipts over budgetary basis disbursements.	<u>293,223</u>	<u>295,943</u>	<u>334,086</u>	<u>38,143</u>
Other financing disbursements:				
Advances out	-	-	(15,000)	(15,000)
Transfers out	(246,056)	(248,556)	(221,538)	27,018
Total other financing disbursements	<u>(246,056)</u>	<u>(248,556)</u>	<u>(236,538)</u>	<u>12,018</u>
Net change in fund cash balance	47,167	47,387	97,548	50,161
Fund cash balance at beginning of year	80,454	80,454	80,454	-
Prior year encumbrances appropriated	76,905	76,905	76,905	-
Fund cash balance at end of year.	<u>\$ 204,526</u>	<u>\$ 204,746</u>	<u>\$ 254,907</u>	<u>\$ 50,161</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
REVOLVING LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Interest	\$ -	\$ -	\$ 3,839	\$ 3,839
Principal received	-	-	60,338	60,338
Total budgetary basis receipts	-	-	64,177	64,177
Budgetary basis disbursements:				
Current:				
Miscellaneous	-	-	20,029	(20,029)
Revolving fund loans.	-	-	150,000	(150,000)
Total budgetary basis disbursements.	-	-	170,029	(170,029)
Net change in fund cash balance	-	-	(105,852)	(105,852)
Fund cash balance at beginning of year	<u>221,782</u>	<u>221,782</u>	<u>221,782</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 221,782</u>	<u>\$ 221,782</u>	<u>\$ 115,930</u>	<u>\$ (105,852)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2009

	Business-type Activities -Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking Fund	Nonmajor Enterprise	Total
Assets:				
Equity in pooled cash and cash equivalents	\$ 100,467	\$ -	\$ 40,911	\$ 141,378
Cash and cash equivalents with fiscal/escrow agents	-	245,679	-	245,679
Total assets.	100,467	245,679	40,911	387,057
Net assets:				
Restricted for debt service.	-	245,679	-	245,679
Unrestricted	100,467	-	40,911	141,378
Total net cash assets.	\$ 100,467	\$ 245,679	\$ 40,911	\$ 387,057

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
NET CASH ASSETS - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking Fund	Nonmajor Enterprise	Total
Operating receipts:				
Charges for services	\$ 423,860	\$ 132,142	\$ 163,244	\$ 719,246
Tap-in fees	342,363	-	-	342,363
Other	12,339	-	4,025	16,364
Total operating receipts	778,562	132,142	167,269	1,077,973
Operating disbursements:				
Personal services	1,295,027	-	29,422	1,324,449
Materials and supplies	1,035,043	16,186	10,116	1,061,345
Capital outlay	231,135	1,044,363	161,839	1,437,337
Total operating disbursements	2,561,205	1,060,549	201,377	3,823,131
Operating loss	(1,782,643)	(928,407)	(34,108)	(2,745,158)
Nonoperating receipts (disbursements)				
Advances in	188,404	-	-	188,404
Advances out.	-	(188,404)	-	(188,404)
Interest revenue.	-	1,760	-	1,760
Proceeds of loans.	-	503,439	-	503,439
Grants.	1,554,400	439,815	-	1,994,215
Principal retirement	-	(106,801)	-	(106,801)
Interest expense and fiscal charges	-	(57,818)	-	(57,818)
Total nonoperating receipts (disbursements)	1,742,804	591,991	-	2,334,795
Changes in net assets	(39,839)	(336,416)	(34,108)	(410,363)
Net cash assets at beginning of year	140,306	582,095	75,019	797,420
Net cash assets at end of year.	\$ 100,467	\$ 245,679	\$ 40,911	\$ 387,057

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
AGENCY FUND
DECEMBER 31, 2009**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 116,098
Total assets.	<u>\$ 116,098</u>
Net cash assets:	
Unrestricted	\$ 116,098
Total net cash assets	<u>\$ 116,098</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 - 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the City's accounting policies:

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based upon the application of these criteria, the City has no component units.

B. Basis of Presentation

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

Government-wide Statement of Activities - Cash Basis - This statement displays information about the City as a whole, except for fiduciary funds. The statement distinguishes between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the City's proprietary funds are charges for sales and services, and include personnel and other disbursements related to sewer operation. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. 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. The City classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The City classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the City's major governmental funds:

General fund - This fund is used to account for all financial resources of the City 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.

Other governmental funds of the City are used to account for grants and other receipts whose use is restricted to a particular purpose.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the City's major 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 sinking fund - The sewage disposal sinking fund accounts for the repayment of debt obligations related to the City's sewage disposal operations.

The City's non-major enterprise fund accounts for storm water financed by intergovernmental receipts or loan proceeds.

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 funds. The agency funds account for the sewer amounts collected and paid to Mahoning County and amounts collected by the municipal court that are paid to other governments.

D. Basis of Accounting

The City's financial statements are prepared using the 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 of the notes to the basic financial statements.

As a result of the use of this 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.

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

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. 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.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. Interest earnings are allocated as authorized by State statute.

During 2009, the City's investments were limited to no-load money market mutual funds and a repurchase agreement. Investments are reported at cost.

Investment procedures are restricted by provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2009 were \$329.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 financial statements as "cash and cash equivalents with fiscal/escrow agents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Capital Assets

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

H. 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 basis of accounting used by the City (See Note 2.D.).

I. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal and interest payments are reported when paid.

J. Net Cash Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net cash assets are available.

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Inventory and Prepaid Items

The City reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

N. Interfund Receivables/Payables

The City reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

O. Fund Cash Balance Reserves

The City reserves any portion of fund cash balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund balance which is available for appropriation in future periods. A fund cash balance reserve has been established for encumbrances.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Cash Fund Balance

Cash fund balances at December 31, 2009 included the following individual fund deficits:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Solid waste	\$ 7,759

This fund did not comply with Ohio State law, which does not permit a cash basis deficit at year end.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. 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 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, nets 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.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 the City 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 may be deposited or invested in the following securities:

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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 only through eligible institutions; and,
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio).

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal/Escrow Agent

At year end, the City had \$245,679 held by a fiscal/escrow agent for the sewage disposal sinking fund. This account is held separate from the City's central bank account. This depository account is presented on the financial statements as "cash and cash equivalents with fiscal/escrow agents" and is included in the amount of deposits with financial institutions below.

B. Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all City deposits was \$701,062 exclusive of the \$350,987 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$267,946 of the City's bank balance of \$763,625 was exposed to custodial risk as discussed below, while \$495,679 was covered by the FDIC.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Carrying Value</u>	<u>Investment Maturities 6 months or less</u>
No-load money market mutual funds	\$ 115,930	\$ 115,930
Repurchase agreement	<u>350,987</u>	<u>350,987</u>
Total	<u>\$ 466,917</u>	<u>\$ 466,917</u>

The weighted average maturity of investments is one day.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities that underlie the City’s repurchase agreement were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The no-load money market mutual fund was rated AAAM by Standard & Poor’s.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City’s investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Balance at Carrying Value</u>	<u>% of Total</u>
No-load money market mutual funds	\$ 115,930	24.83
Repurchase agreement	<u>350,987</u>	<u>75.17</u>
Total	<u>\$ 466,917</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets - Cash Basis

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note above</u>	
Carrying amount of deposits	\$ 701,062
Investments	<u>466,917</u>
Total	<u>\$ 1,167,979</u>

<u>Cash and investments per statement of net assets - cash basis</u>	
Governmental activities	\$ 664,824
Business-type activities	387,057
Agency funds	<u>116,098</u>
Total	<u>\$ 1,167,979</u>

NOTE 5 - LESSEE DISCLOSURE - LEASES

In previous years, the City entered into lease agreements for a 2009 International 7400 truck, copier equipment and to upgrade the vacor/sewer cleaner.

Principal and interest payments in the 2009 totaled \$52,405 and \$16,480, respectively. Future lease payments are as follows:

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - LESSEE DISCLOSURE – LEASES - (Continued)

<u>Year Ending</u> <u>December 31</u>	<u>Payment</u>
2010	\$ 67,352
2011	198,739
2012	21,706
2013	<u>21,706</u>
Total minimum lease payments	309,503
Less: amount representing interest	<u>(28,103)</u>
Present value of future minimum lease payments	<u>\$ 281,400</u>

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2009, debt obligations consisted of the following issuances:

Enterprise funds:

Ohio Public Works Commission Loans (OPWC):

Principal outstanding	\$783,934
Interest rate	0%

Ohio Water Development Authority Loans (OWDA):

Principal outstanding	\$ 1,343,570
Interest rate	2.0 - 5.45%

Transactions for the year ended December 31, 2009, are summarized as follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/09</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Business-type activities:</u>					
OPWC loans	\$ 708,492	\$ 100,000	\$ (24,558)	\$ 783,934	\$ 73,674
OWDA loans	<u>1,022,374</u>	<u>403,439</u>	<u>(82,243)</u>	<u>1,343,570</u>	<u>13,762</u>
Total	<u>\$ 1,730,866</u>	<u>\$ 503,439</u>	<u>\$ (106,801)</u>	<u>\$ 2,127,504</u>	<u>\$ 87,436</u>

The City has four OPWC loans for Wastewater Treatment Plant improvements. One OPWC loan, with an outstanding principal balance of \$100,000, was not closed at year end and is not presented in the future debt schedule below.

The following is the future debt service requirements to retire the City's OPWC loans:

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - DEBT OBLIGATIONS - (Continued)

Year Ending December 31,	OPWC Loan		
	Principal	Interest	Total
2010	\$ 73,674	\$ -	\$ 73,674
2011	49,117	-	49,117
2012	49,116	-	49,116
2013	49,117	-	49,117
2014	49,117	-	49,117
2015 - 2019	182,626	-	182,626
2020 - 2024	60,833	-	60,833
2025 - 2029	60,834	-	60,834
2030 - 2034	60,833	-	60,833
2035 - 2038	48,667	-	48,667
Totals	<u>\$ 683,934</u>	<u>\$ -</u>	<u>\$ 683,934</u>

The City has seven OWDA loans for Wastewater Treatment Plan improvements and construction and rehabilitation to sanitary sewers. Revenue of the utility facilities have been pledged to repay these debts.

Should the utility facilities have insufficient revenues to repay these obligations, they are secured by the full faith, credit and resources of the City. Six OWDA loans were not closed as of year end and are not presented in the future debt schedules below. The principal balance of the open OWDA loans is \$1,105,406 at December 31, 2009. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2010	\$ 13,762	\$ 4,695	\$ 18,457
2011	14,038	4,418	18,456
2012	14,321	4,136	18,457
2013	14,609	3,848	18,457
2014	14,902	3,554	18,456
2015 - 2019	79,127	13,158	92,285
2020 - 2024	87,405	4,879	92,284
Totals	<u>\$ 238,164</u>	<u>\$ 38,688</u>	<u>\$ 276,852</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, 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 later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Struthers. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim.

The full tax rate for all City operations for the year ended December 31, 2009 was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real Property</u>	
Residential/Agricultural	\$ 96,232,690
Commercial/Industrial/Mineral	13,153,140
Tangible Personal Property	196,220
Public Utility Personal Property	<u>4,394,920</u>
Total Assessed Value	<u>\$ 113,976,970</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - LOCAL 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 2009, the proceeds were allocated to the general fund.

NOTE 9 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%. The City's contribution rate for 2009 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63% of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00% from January 1 through March 31, 2009 and 8.50% from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63% from January 1 through March 31, 2009 and 12.13% from April 1 through December 31, 2009. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008 and 2007 were \$163,399, \$149,135 and \$164,844, respectively; 88.78% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

Plan Description - 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$99,867 and \$79,254 for the year ended December 31, 2009, \$103,100 and \$80,231 for the year ended December 31, 2008 and \$95,556 and \$77,598 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 72.15% has been contributed for police and 72.40% has been contributed for firefighters for 2009.

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but not does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00% of covered payroll (17.63% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00% from January 1 through March 31, 2009 and 5.50% from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008 and 2007 were \$117,226, \$149,135 and \$108,574 respectively; 88.78% has been contributed for 2009 and 100% has been contributed for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment 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.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$52,871 and \$31,013 for the year ended December 31, 2009, \$54,583 and \$31,395 for the year ended December 31, 2008 and \$50,554 and \$30,327 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 72.15% has been contributed for police and 72.40% has been contributed for firefighters for 2009.

NOTE 11 - RISK MANAGEMENT

A. Employee Medical, Dental and Vision Coverage

The City manages employee medical, dental and vision benefits on a fully insured basis. The risk of loss transfers to the insurance company upon payment of the premiums. The City provides employee medical, dental and vision benefits through Anthem Blue Cross/Blue Shield. Medical premiums were \$981.74 per month for family coverage and \$402.00 per month for single coverage. Dental premiums were \$66.57 per month for family coverage and \$23.77 per month for single coverage. Vision premiums were \$13.51 per month for family coverage and \$5.42 per month for single coverage. Employees are required to pay 6 percent of the family premium each month and the City pays the remainder.

B. Workers' Compensation

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, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Comprehensive

The City 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 2009, the City obtained insurance through the Ohio Plan for various types of insurance coverage

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.

NOTE 12 - CONTINGENCIES

A. Grants

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.

B. Litigation

The City is not currently involved in litigation for which the City's legal counsel anticipates a loss.

NOTE 13 - INTERFUND TRANSACTIONS

A. Advances in and out for the year ended December 31, 2009, consisted of the following, as reported in the fund financial statements:

<u>Advance to</u>	<u>Advance from</u>	
<u>Major fund</u>	<u>Sewage Disposal Sinking Fund</u>	<u>General</u>
Sewage disposal fund	\$ 188,404	\$ -
<u>Nonmajor governmental fund</u>		
JAG police grant	-	15,000

Interfund advances between governmental funds and between business-type activities are eliminated on the government-wide statement of activities - cash basis.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended December 31, 2009, consisted of the following, as reported in the fund financial statements:

<u>Transfer to</u>	<u>Transfer from</u>
	<u>General</u>
Elderly van fund	\$ 11,000
Solid waste fund	17,538
Police disability fund	117,000
Fire disability fund	<u>76,000</u>
Total	<u>\$ 221,538</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between government funds are eliminated on the government-wide statement of activities - cash basis.

NOTE 14 - 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 cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund and revolving loan fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At December 31, 2009, the encumbrances outstanding at year end (budgetary basis) amounted to \$59,347 for the general fund and zero for the revolving loan fund.

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Dave Yost • Auditor of State

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 City 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 City of Struthers (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2012 wherein we noted the City uses a comprehensive accounting basis other than generally accepted accounting principles. We qualified our opinion due to the lack of sufficient, appropriate evidential matter for the amounts reported as charges for services revenue for the Sewage Disposal, Sewage Disposal Sinking Funds and business type activities. Except as discussed in the preceding sentence, 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*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-02 and 2009-04 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001, 2009-002 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 25, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and City Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

July 25, 2012

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2009-001
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Noncompliance Citation – Filing GAAP Financial Statements

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 (GAAP). For 2009, the City prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements omit entity wide statements, and 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.

We recommend the City convert their reporting to the required basis to bring the City in compliance with the requirements.

Officials' Response: The City is aware of this noncompliance issue and has taken it into consideration.

Finding Number	2009-002
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Noncompliance Citation / Material Weakness – Issue 2 Funds

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), nor did they record the related revenues of \$355,508 and expenditures of \$355,508. The City's Issue 2 monies went directly from the Ohio Public Works Commission to the appropriate contractor, as is common procedure with Issue 2 funding, and the City did not record these monies coming into the City or being expended to the contractor as required. Consequently, the City also violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate these monies. (The financial statements include the proper adjustments to reflect the Issue 2 project activity within the Capital Projects Fund.)

Finding Number – (Continued)	2009-002
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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.

Officials’ Response: The City is working on establishing the required fund and recording these transactions in the future.

Finding Number	2009-003
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Noncompliance Citation - Accounting for Revolving Loan Fund

Ohio Revised Code § 733.46 provides the treasurer of a municipal corporation shall receive and disburse all funds of the municipal corporation and such other funds as arise in or belong to any department or part of the municipal corporation.

The City of Struthers has a revolving loan fund through Community Development Block Grant (CDBG) funds. While all expenditures are authorized by City Council through the passage of an ordinance, the actual financial activity is handled by National City Bank Private Group, a division of National City Bank (NCB). National City Bank Private Group receipts the revolving loan monies in and expends the monies, as authorized by City. This is not accordance with the above-mentioned code section. While the City’s financial statement compiler did included this activity on the City’s year-end financial report (Revolving Loan fund receipts of \$64,177 and disbursements of \$170,029), it was never run through their ledgers.

We recommend the City include the Revolving Loan Fund and related activity, including all receipts and disbursements, on their ledgers. All checks written from the Revolving Loan fund should be written by the City. We also recommend the City budget for this fund as required by Ohio Revised Code Section 5705.

Officials’ Response: This was addressed by the City in 2011.

Finding Number	2009-004
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Material Weakness

Sewer Billings and Collections

The City has outsourced the processing of sewer billings and collections, which is a significant accounting function, to a third party administrator, Aqua Utility Services. The following internal control weaknesses were noted with regard to the processing of sewer billings and collections:

- A. Aqua Utility Services provides monthly billing and collection reports to the City. While these reports are agreed to the remittances by the City Auditor, this review is not documented and the accuracy of the report is not verified by any City personnel to monitor whether sewer usage is being properly billed and collected.
- B. The City has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that sewer billings and collections have been completely and accurately processed in accordance with the contract between the City and Aqua Utility Services.

Finding Number – (Continued)	2009-004
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The City did not provide us with evidence we requested regarding the design and proper operation of the service organization's internal controls or with certain information regarding sewer billings receipts. (Aqua Utility Services processed \$719,246 in 2009 in utility receipts for the City.) We were therefore unable to satisfy ourselves as to the proper processing of sewer bills and collections.

These conditions may not assure the completeness and accuracy of sewer billings and collections processed by the third party administrator.

Statement of Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization (SSAE 16), prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Control (Type 2 SOC 1 Report)* in accordance with SSAE 16 should provide the City with reasonable assurance that sewer billings and collections conform to the contract.

If alternative procedures cannot be applied to gain assurances over completeness and accuracy, we recommend the City require a Type Two SOC 1 report or Agreed Upon Procedures report in its contract with Aqua Utility Services. The City should review the SOC 1 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. In addition, if agreed upon procedures are to be done, the Auditor of State's SAS 70 Coordinator should be consulted prior to entering into a contract for these services.

In addition, we recommend the City request standing data from the service organization, including the name and address of the people being billed. The City should assign personnel to review the standing data to ensure residents of the City that should be charged for sewer usage are being charged. The City should also request billing information from the service organization to ensure correct rates are being used and are being calculated properly according to usage.

Officials Response: The City will address this during the next contract renewal with Aqua.

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**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-001	Ohio Administrative Code Section 117-2-03 (B) - The City does not report on GAAP.	No	Reported again as finding 2009-001.
2008-002	Ohio Revised Code Section 5705.09 (F) – The City did not set up a fund for Issue 2 projects.	No	Reported again as finding 2009-002.
2008-003	Ohio Revised Code Section 733.46 – The financial activities are handled by National City Bank, not the City	No	Reported again as finding 2009-003.
2008-004	The City has delegated the processing of sewer billings and collections to a third party administrator (TPA) and the City has not established procedures to determine whether the TPA has sufficient controls.	No	Reported again as finding 2009-004.

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Dave Yost • 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
AUGUST 09, 2012**