



**Auditor of State
Betty Montgomery**

CITY OF STRUTHERS
MAHONING COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of City of Struthers, Mahoning County, (the City) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the City of Struthers, Mahoning County, as of December 31, 2002, and its combined receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

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

Betty Montgomery
Auditor of State

June 16, 2003

**CITY OF STRUTHERS
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:						
Property Tax and Other Local Taxes	\$2,740,315	\$51,777			\$63,950	\$2,856,042
Special Assessments	30					30
Intergovernmental Receipts	383,867	699,785		136,057		1,219,709
Charges for Services	8,409	53,461				61,870
Fines, Licenses, and Permits	317,861	42,376				360,237
Earnings on Investments	7,083	1,444				8,527
Miscellaneous	252,357	2,857				255,214
Total Cash Receipts	3,709,922	851,700	\$0	136,057	63,950	4,761,629
Cash Disbursements:						
Current:						
Security of Persons and Property	1,482,335				224,872	1,707,207
Public Health Services	77,110	27,443				104,553
Leisure Time Activities	65,885					65,885
Community Environment		54,400				54,400
Transportation	4,003	420,897				424,900
General Government	1,780,546	75,529				1,856,075
Debt Service:						
Principal Payments	147,611	52,389				200,000
Interest Payments		6,897				6,897
Financing and Other Debt-Service Related	1,950					1,950
Capital Outlay	277,305	281,488		136,057		694,850
Total Cash Disbursements	3,836,745	919,043	0	136,057	224,872	5,116,717
Total Receipts Over/(Under) Disbursements	(126,823)	(67,343)	0	0	(160,922)	(355,088)
Other Financing Receipts and (Disbursements):						
Sale of Notes	265,000					265,000
Transfers-In	26,955	149,484			155,228	331,667
Advances-In	50,000	50,000				100,000
Transfers-Out	(304,712)	(19,507)				(324,219)
Advances-Out	(50,000)	(50,000)				(100,000)
Other Sources	25,457	174,111	28			199,596
Other Uses		(87,122)				(87,122)
Total Other Financing Receipts/(Disbursements)	12,700	216,966	28	0	155,228	384,922
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(114,123)	149,623	28	0	(5,694)	29,834
Fund Cash Balances, January 1	534,559	295,241	11,690	0	68,300	909,790
Fund Cash Balances, December 31	\$420,436	\$444,864	\$11,718	\$0	\$62,606	\$939,624
Reserves for Encumbrances, December 31	\$195,882	\$43,066	\$0	\$0	\$61,797	\$300,745

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$970,778	\$825	\$971,603
Miscellaneous	264,898		264,898
Total Operating Cash Receipts	<u>1,235,676</u>	<u>825</u>	<u>1,236,501</u>
Operating Cash Disbursements:			
Personal Services	988,932		988,932
Supplies and Materials	1,044,467		1,044,467
Capital Outlay	304,961		304,961
Total Operating Cash Disbursements	<u>2,338,360</u>	<u>0</u>	<u>2,338,360</u>
Operating Income/(Loss)	<u>(1,102,684)</u>	<u>825</u>	<u>(1,101,859)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	1,472,087	2,637	1,474,724
Other Non-Operating Receipts	75,573	875,494	951,067
Total Non-Operating Cash Receipts	<u>1,547,660</u>	<u>878,131</u>	<u>2,425,791</u>
Non-Operating Cash Disbursements:			
Debt Service	376,538		376,538
Other Non-Operating Cash Disbursements	101	895,576	895,677
Total Non-Operating Cash Disbursements	<u>376,639</u>	<u>895,576</u>	<u>1,272,215</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	68,337	(16,620)	51,717
Transfers-Out	<u>(7,448)</u>		<u>(7,448)</u>
Net Receipts Over/(Under) Disbursements	60,889	(16,620)	44,269
Fund Cash Balances, January 1	<u>713,942</u>	<u>141,734</u>	<u>855,676</u>
Fund Cash Balances, December 31	<u>\$774,831</u>	<u>\$125,114</u>	<u>\$899,945</u>
Reserve for Encumbrances, December 31	<u>\$92,309</u>	<u>\$6,980</u>	<u>\$99,289</u>

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

FUND TYPES/FUNDS	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GOVERNMENTAL FUND TYPES:			
General Fund	\$3,377,991	\$4,027,334	\$ 649,343
Special Revenue Funds	892,200	1,175,295	283,095
Debt Service Fund		28	28
Capital Projects Funds		136,057	136,057
PROPRIETARY FUND TYPE:			
Enterprise Funds	2,575,000	2,783,336	208,336
FIDUCIARY FUND TYPE:			
Expendable Trust Funds	<u>65,502</u>	<u>219,178</u>	<u>153,676</u>
Total (Memorandum Only)	<u>\$6,910,693</u>	<u>\$8,341,228</u>	<u>\$1,430,535</u>

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2002**

FUND TYPES/FUNDS	PRIOR YEAR CARRYOVER APPROPRIATIONS	2002 APPROPRIATIONS	TOTAL
GOVERNMENTAL FUND TYPES:			
General Fund	\$253,400	\$3,616,332	\$3,869,732
Special Revenue Funds	33,091	859,152	892,243
Capital Projects Funds			
PROPRIETARY FUND TYPE:			
Enterprise Funds	108,860	2,653,086	2,761,946
FIDUCIARY FUND TYPE:			
Expendable Trust Funds	<u>60,815</u>	<u>71,485</u>	<u>132,300</u>
Total (Memorandum Only)	<u>\$456,166</u>	<u>\$7,200,055</u>	<u>\$7,656,221</u>

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

ACTUAL 2002 DISBURSEMENTS	ENCUMBRANCES OUTSTANDING AT 12-31-02	TOTAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$4,141,457	\$195,882	\$4,337,339	\$ (467,607)
1,025,672	43,066	1,068,738	(176,495)
136,057		136,057	(136,057)
2,722,447	92,309	2,814,756	(52,810)
<u>224,872</u>	<u>61,797</u>	<u>286,669</u>	<u>(154,369)</u>
<u>\$8,250,505</u>	<u>\$393,054</u>	<u>\$8,643,559</u>	<u>\$(987,338)</u>

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**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

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

D. Fund Accounting

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. General Fund

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

3. Debt Service Funds

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

4. Capital Projects Fund

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

5. Enterprise Funds

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

6. Trust and Agency Funds

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

E. Intergovernmental Revenues

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

F. Interfund Transactions

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

G. Budgetary Process

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

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

Estimated Resources

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

Encumbrances

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

H. Property, Plant and Equipment

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

I. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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

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

Deposits: At December 31, 2002, the carrying amount of the City's deposits was \$683,719 and the bank balance \$851,733 of pooled funds. Of the bank balance:

1. \$309,176 was covered by federal depository insurance.
2. \$542,557 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions.

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: At December 31, 2002, the City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the City's name.

	Category 3	Fair Value
Repurchase Agreements	\$ 873,000	\$ 873,000
No-Load Money Market Mutual Funds (CDBG Revolving Loan)	<u>282,850</u>	<u>282,850</u>
Total Investments	<u>\$1,155,850</u>	<u>\$1,155,850</u>

3. NONCOMPLIANCE

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

Contrary to Ohio Revised Code Section 5705.41(B), the following funds had disbursements plus outstanding encumbrances in excess of prior and current year appropriations.

General Fund	Street Construction Maintenance and Repair
Meeting Room	Activity
Elderly Van	Fire Disability
Court Improvement	Court Computer
Crime Victims	Solid Waste
Juvenile Diversion	CHIP Grant
Sewage Disposal Operating	Police Disability

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2002 consisted of the following:

Ohio Public Works Commission Loans (OPWC):	
Principal Outstanding	\$565,193
Interest Rate	0%
Ohio Water Development Authority Loan (OWDA):	
Principal Outstanding	\$1,057,173
Interest Rate	10.84%
Bond Anticipation Notes:	
Principal Outstanding	\$265,000
Interest Rate	2.48% & 2.4.9%

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. DEBT OBLIGATIONS (Continued)

The OPWC loans are for Wastewater Treatment Plant improvements.

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

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

New note debt issued during 2002 was \$265,000.

The annual requirements to amortize the OPWC and OWDA loans, and the bond anticipation notes outstanding as of December 31, 2002, including interest payments of \$307,768, are as follows:

<u>Year Ending December 31</u>	<u>OPWC Loan</u>	<u>OWDA Loan</u>	<u>Bond Anticipation</u>
2003	\$ 36,950	\$ 339,588	\$271,589
2004	36,950	339,588	0
2005	36,950	339,588	0
2006	36,950	339,588	0
2007	36,950	0	0
2008-2012	184,750	0	0
2013-2017	155,095	0	0
2018-2022	<u>40,598</u>	<u>0</u>	<u>0</u>
Total	<u>\$565,193</u>	<u>\$1,358,352</u>	<u>\$271,589</u>

5. PROPERTY TAX

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

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

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

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. CITY INCOME TAX

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

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

At December 31, 2002, income tax proceeds received into the General Fund totaled \$2,374,512. (NOTE: The 2% City income tax is levied after March 1, 1983, as the result of passage (by the voters) on February 8, 1983, of City Ordinance No. 82-7836.)

7. RETIREMENT SYSTEMS

The City of Struthers' employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. OPERS also provides survivor and disability benefits to vested employees. Since the State of Ohio accounts for the activities of the retirement system, the amount of that fund is not reflected in the accompanying financial statements. Employees contributed 8.5% of their gross salaries. The City contributed an amount equal to 13.55% of participants' gross salaries.

The firemen and policemen of the City are covered by the Ohio Police and Fire Pension Funds (OP&F), also accounted for by the State of Ohio and also not reflected in the accompanying financial statements. Police and Firemen contribute 10% of their gross wages to the plan and the City matches this with a contribution equal to 19.5% of policemen's wages and 24% of firemen's gross wages.

The City has paid all contributions required through December 31, 2002.

8. LIABILITY AND PROPERTY INSURANCE

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

9. POSTEMPLOYMENT BENEFITS

(The following information is the latest information available.)

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001.

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

As of December 31, 2001, the actuarial value of the Retirement System's net assets available for future OPEB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001. The number of benefit recipients eligible for OPEB at December 31, 2001 was 402,041.

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

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

**CITY OF STRUTHERS
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Funds

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% of covered payroll in 2001. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001, is 13,174 for police officers and 10,239 for firefighters. OP&F's total health care expense for the year ending December 31, 2001, was \$122.299 million, which was net of member contributions of \$6.875 million.

11. CONTINGENT LIABILITIES

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

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

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**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Cash Basis)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT/</u>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants/State's Program CHIP Grant Fund	A-C-00-181-1	14.228	\$358,620	\$316,513
Community Development Block Grants/State's Program FY2001 Formula Grant Fund	A-F-01-181-1	14.228	<u>5,100</u>	<u>5,100</u>
Total U.S. Department of Housing and Urban Development			\$363,720	\$321,613
<u>U.S. DEPARTMENT OF JUSTICE/</u>				
<i>Passed Through Youngstown Regional FBI Office:</i>				
Violent Crimes/Fugitive Task Force - Overtime Reimbursements (There is no CFDA number)			337	337
<i>Passed Through Mahoning Valley Law Enforcement Task Force:</i>				
Federal Equitable Sharing Program (There is no CFDA number)			<u>4,272</u>	<u>0</u>
Total U.S. Department of Justice			\$4,609	\$337
Totals			<u>\$368,329</u>	<u>\$321,950</u>

The accompanying notes are an integral part of this schedule.

**CITY OF STRUTHERS
MAHONING COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City of Struther's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City of Struthers has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Development of Housing and Urban Development (HUD) grants money for these loans to the City of Struthers passed through the Ohio Department of Development. Loans repaid, including interest, are used to make additional loans.

These loans are collateralized by a first lien on the business property. At December 31, 2002, the gross amount of the loans outstanding under this program were \$378,493. There were no delinquent amounts due.



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the City of Struthers, as of and for the year ended December 31, 2002, and have issued our report thereon dated June 16, 2003, which indicated the City has prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Struthers' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City of Struthers in a separate letter dated June 16, 2003.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Struthers in a separate letter dated June 16, 2003.

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

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 16, 2003



Auditor of State Betty Montgomery

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of City of Struthers with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. City of Struthers' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Struthers' management. Our responsibility is to express an opinion on City of Struthers' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about City of Struthers' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Struthers' compliance with those requirements.

In our opinion, City of Struthers complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of City of Struthers is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Struthers' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 16, 2003

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**CITY OF STRUTHERS
MAHONING COUNTY
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	14.228 – Community Development Block Grant (Entitlement Grants)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505**

**CITY OF STRUTHERS
MAHONING COUNTY
DECEMBER 31, 2002
(Continued)**

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

Finding Number	2002-001
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Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

Finding Number	2002-002
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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.

The City of Struthers did not establish the required Capital Projects (Issue 2) Funds and consequently did not appropriate the related monies in accordance with 5705.41(B).

We recommend that the City establish a separate Capital Projects Fund for each Issue 2 project in order to account for the related receipts and disbursements to the extent the local government has received a benefit from each project and budget for these monies accordingly. The City has made adjustments to reflect the Issue 2 project activity within the Capital Projects Fund type in the financial statements. Issue 2 receipts and disbursements were \$136,057 for 2002.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

CITY OF STRUTHERS
MAHONING COUNTY
DECEMBER 31, 2002
(Continued)

Finding Number	2002-003
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Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds in 2002 were found to have actual disbursements plus outstanding encumbrances in excess of prior and current year appropriations by the amounts noted:

<u>Fund</u>	<u>Prior and Current Year Appropriations</u>	<u>Actual Disbursements Plus Outstanding Encumbrances</u>	<u>Variance</u>
General	\$3,869,732	\$4,337,339	\$(467,607)
<u>Special Revenue Funds:</u>			
Street Construction			
Maintenance and			
Repair	321,498	430,831	(109,333)
Meeting Room	500	9,513	(9,013)
Activity	0	1,656	(1,656)
Elderly Van	1,875	10,144	(8,269)
Court Improvement	433	31,169	(30,736)
Court Computer	454	8,353	(7,899)
Crime Victims	19	14,415	(14,396)
Solid Waste	17,389	33,192	(15,803)
Juvenile Diversion	1,007	20,851	(19,844)
CHIP Grant	350,610	359,230	(8,620)
<u>Enterprise Fund:</u>			
Sewage Disposal Operating	2,421,946	2,475,068	(53,122)
<u>Expendable Trust Funds:</u>			
Police Disability	70,946	164,601	(93,655)
Fire Disability	61,354	122,068	(60,714)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Title of Finding

Finding Number	None
CFDA Title and Number	
Federal Award Number / Year	
Federal Agency	
Pass-Through Agency	

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-21150-001	Ohio Administrative Code Section 117-2-03 (B) - The City does not report on GAAP.	No	Not Corrected. Reported again as finding 2002-001.
2000-21150-002	Ohio Revised Code Section 5705.09 (F) – The City did not set up a fund for Issue 2 projects.	No	Not Corrected. Reported again as finding 2002-002.
2000-21150-003	Ohio Revised Code Section 5705.41(B) - Actual disbursements plus outstanding encumbrances in excess of prior and current year appropriations in various funds	No	Not Corrected. Reported again as finding 2002-003.



**Auditor of State
Betty Montgomery**

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800-282-0370

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CITY OF STRUTHERS

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 15, 2003**