



Mary Taylor, CPA
Auditor of State

**CITY OF STRUTHERS
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

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 year ended December 31, 2006, 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 30% of the receipts reported with the business type activities and the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds, as well as 20% and 97% of revenues in the Sewage Disposal and Sewage Disposal Sinking Funds.

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 governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Struthers, Mahoning County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and the Revolving Loan Funds thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, 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.

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



Mary Taylor, CPA
Auditor of State

December 31, 2008

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006, 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 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 2006 are as follows:

- The total net cash assets of the City decreased \$324,916. Net cash assets of governmental activities decreased \$335,285, which represents a 36.88% decrease from fiscal year 2005. Net cash assets of business-type activities increased \$10,369 or 1.29 % over fiscal year 2005.
- General cash receipts accounted for \$3,598,685 or 71% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,477,592 or 29% of total governmental activities cash receipts.
- The City had \$5,411,562 in cash disbursements related to governmental activities; \$1,477,592 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$3,598,685 were not 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 and other financing receipts of \$3,803,244 in 2006. The cash disbursements and other financing disbursements of the general fund, totaled \$3,908,358 in 2006. The general fund's cash balance decreased \$105,114 from 2005 to 2006.
- The revolving loan fund, a City major fund, had cash receipts and of \$49,249 in 2006. The revolving loan fund had cash disbursements of \$229,133 in 2006. The revolving loan fund cash balance decreased \$179,884 from 2005 to 2006.
- 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 increased in 2006 by \$68,398 or 46.40%. Net assets for the sewage disposal sinking fund decreased in 2006 by \$31,803 or 5.03%.

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 modified cash basis of accounting.

The statement of net assets – modified cash basis and statement of activities – modified 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, 2006

Reporting the City as a Whole

Statement of net assets and the statement of activities

The statement of net assets – modified cash basis and the statement of activities – modified cash basis answer the question, How did we do financially during 2006? These statements include *only net assets* using the *modified 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 modified 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 modified 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 modified cash basis of accounting.

In the statement of net assets – modified cash basis and the statement of activities – modified 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 – modified cash basis and the statement of activities – modified 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, 2006

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 modified 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 modified 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 – modified cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – modified 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 (modified 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, 2006

Government-Wide Financial Analysis

Recall that the statement of net assets – modified 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, 2006 and 2005.

	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>
	2006	2006	2005	2005	2006	2005
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 573,917	\$ 215,812	\$ 909,202	\$ 173,640	\$ 789,729	\$ 1,082,842
Cash and cash equivalents with fiscal/escrow agents	-	600,181	-	631,984	600,181	631,984
Total assets	573,917	815,993	909,202	805,624	1,389,910	1,714,826
<u>Net cash assets</u>						
Restricted	346,797	600,181	576,475	631,984	946,978	1,208,459
Unrestricted	227,120	215,812	332,727	173,640	442,932	506,367
Total net cash assets	\$ 573,917	\$ 815,993	\$ 909,202	\$ 805,624	\$ 1,389,910	\$ 1,714,826

The total net cash assets of the City decreased \$324,916. Net cash assets of governmental activities decreased \$335,285, which represents a 36.88% decrease from fiscal year 2005. Net cash assets of business-type activities increased \$10,369 or 1.29% over fiscal year 2005.

The balance of government-wide unrestricted net cash assets of \$442,932 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, 2006**

The table below shows the changes in net cash assets for fiscal year 2006 and 2005.

	Change in Net Cash Assets					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2006 Total	2005 Total
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 500,718	\$ 1,212,288	\$ 560,062	\$ 1,248,477	\$ 1,713,006	\$ 1,808,539
Operating grants and contributions	976,874	1,713,549	487,565	1,743,476	2,690,423	2,231,041
Total program cash receipts	<u>1,477,592</u>	<u>2,925,837</u>	<u>1,047,627</u>	<u>2,991,953</u>	<u>4,403,429</u>	<u>4,039,580</u>
General cash receipts:						
Property and other taxes	3,141,759	-	3,089,655	-	3,141,759	3,089,655
Unrestricted grants	231,286	-	335,245	-	231,286	335,245
Sale of notes	55,000	-	105,000	-	55,000	105,000
Loan proceeds	-	257,738	-	-	257,738	-
Investment receipts	21,293	10,943	10,878	7,048	32,236	17,926
Miscellaneous	149,347	9,650	186,326	10,775	158,997	197,101
Total general cash receipts	<u>3,598,685</u>	<u>278,331</u>	<u>3,727,104</u>	<u>17,823</u>	<u>3,877,016</u>	<u>3,744,927</u>
Total cash receipts	<u>5,076,277</u>	<u>3,204,168</u>	<u>4,774,731</u>	<u>3,009,776</u>	<u>8,280,445</u>	<u>7,784,507</u>
Cash Disbursements:						
General government	1,683,798	-	1,666,826	-	1,683,798	1,666,826
Security of persons and property	1,778,427	-	1,709,113	-	1,778,427	1,709,113
Transportation	714,515	-	440,737	-	714,515	440,737
Public health services	87,499	-	112,508	-	87,499	112,508
Leisure time activities	68,161	-	53,653	-	68,161	53,653
Community environment	360,634	-	59,418	-	360,634	59,418
Miscellaneous	231,133	-	101,601	-	231,133	101,601
Capital outlay	379,042	-	208,731	-	379,042	208,731
Debt service:						
Principal retirement	105,000	-	120,000	-	105,000	120,000
Interest and fiscal charges	3,353	-	2,429	-	3,353	2,429
Sewage disposal	-	2,526,606	-	2,495,468	2,526,606	2,495,468
Sewage disposal sinking	-	383,229	-	317,208	383,229	317,208
SDO capital projects	-	283,964	-	121,945	283,964	121,945
Total cash disbursements	<u>5,411,562</u>	<u>3,193,799</u>	<u>4,475,016</u>	<u>2,934,621</u>	<u>8,605,361</u>	<u>7,409,637</u>
Change in net cash assets	(335,285)	10,369	299,715	75,155	(324,916)	374,870
Net cash assets at beginning of year	<u>909,202</u>	<u>805,624</u>	<u>609,487</u>	<u>730,469</u>	<u>1,714,826</u>	<u>1,339,956</u>
Net cash assets at end of year	<u>\$ 573,917</u>	<u>\$ 815,993</u>	<u>\$ 909,202</u>	<u>\$ 805,624</u>	<u>\$ 1,389,910</u>	<u>\$ 1,714,826</u>

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

Governmental Activities

Governmental cash assets decreased by \$335,285 in 2006 from 2005.

General government represents activities related to the governing body as well as activities that directly support City programs. In 2006, general government cash disbursements totaled \$1,683,798, or 31.11% of total governmental cash disbursements. General government programs were supported by \$201,730 in direct charges to users for services and \$40,953 in operating and contributing grants..

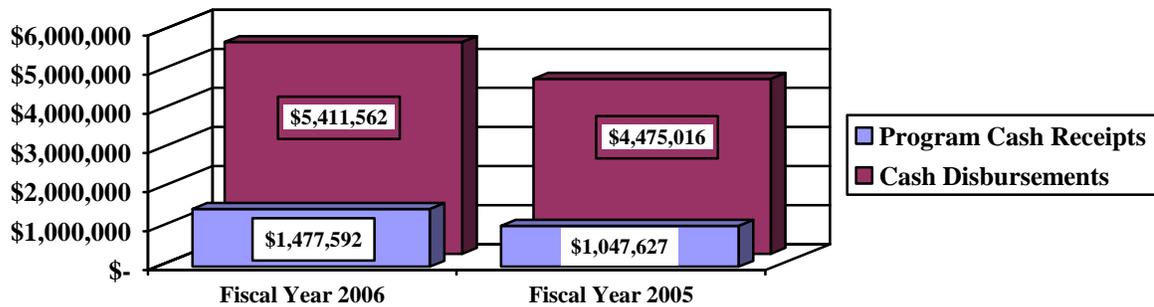
In 2006, the security of persons and property programs accounted for \$1,778,427 or 32.86% of total government cash disbursements. Security of persons and property programs were supported by \$185,390 in direct uses charge and \$2,150 in operating and contributing grants.

In 2006, the transportation projects accounted for \$714,515 or 13.20% of total government cash disbursements. Transportation projects were supported by \$895 in direct uses charge and \$564,873 in operating and contributing grants.

In 2006, the community environment programs accounted for \$360,634 or 6.67% of total government cash disbursements. Community environment programs were supported by \$349,752 in operating and contributing grants.

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 2006 and 2005. 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

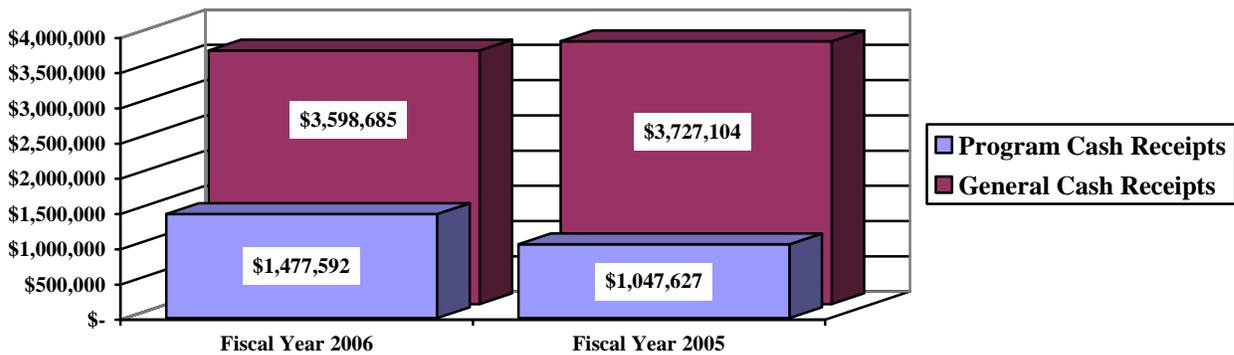
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Cash disbursements:				
Current:				
General government	\$ 1,683,798	\$ 1,441,115	\$ 1,666,826	\$ 1,435,176
Security of persons and property	1,778,427	1,590,887	1,709,113	1,503,019
Transportation	714,515	148,747	440,737	33,167
Public health services	87,499	23,649	112,508	52,401
Leisure time activities	68,161	50,486	53,653	37,078
Community environment	360,634	10,882	59,418	59,418
Miscellaneous	231,133	180,809	101,601	(24,037)
Capital outlay	379,042	379,042	208,731	208,731
Debt service:				
Principal retirement	105,000	105,000	120,000	120,000
Interest and fiscal charges	3,353	3,353	2,429	2,436
Total	<u>\$ 5,411,562</u>	<u>\$ 3,933,970</u>	<u>\$ 4,475,016</u>	<u>\$ 3,427,389</u>

The dependence upon general cash receipts for governmental activities is apparent; with 72.70% of cash disbursements supported through taxes and other general cash receipts during 2006.

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The sewage disposal fund, sewage disposal sinking fund and the sewage disposal capital projects fund are the City's business-type activities. These programs had cash receipts of \$3,204,168 and cash disbursements of \$3,193,799 for fiscal year 2006. The net cash assets of the programs increased \$10,369 from 2005.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

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 modified cash basis of accounting.

The City's governmental funds reported a combined fund cash balance of \$573,917, which is \$335,285 lower than last year's total of \$909,202. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2006 and December 31, 2005, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2006</u>	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 231,888	\$ 337,002	\$ (105,114)
Revolving loan	144,218	324,102	(179,884)
Other Nonmajor Governmental Funds	<u>197,811</u>	<u>248,098</u>	<u>(50,287)</u>
Total	<u>\$ 573,917</u>	<u>\$ 909,202</u>	<u>\$ (335,285)</u>

General Fund

The general fund, the City's largest major fund, had cash receipts and cash disbursements of \$3,748,244 and \$3,696,554, respectively, in 2006. These amounts exclude other financing receipts and other financing disbursements, which consisted of sale of notes for \$55,000 and transfers out in the amount of \$211,804 in 2006. The general fund's cash balance decreased \$105,114 from 2005 to 2006.

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>				
Taxes	\$ 2,994,504	\$ 2,949,489	\$ 45,015	1.53 %
Intergovernmental	231,286	335,245	(103,959)	(31.01) %
Charges for services	21,203	25,333	(4,130)	(16.30) %
License, permits and fees	330,710	330,335	375	0.11 %
Investment income	21,194	10,817	10,377	95.93 %
Miscellaneous	<u>149,347</u>	<u>186,236</u>	<u>(36,889)</u>	<u>(19.81) %</u>
Total	<u>\$ 3,748,244</u>	<u>\$ 3,837,455</u>	<u>\$ (89,211)</u>	<u>(2.32) %</u>

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Taxes increased due to an increase in income taxes received by the City. Investment income increased due to increased interest rate on investments. Intergovernmental receipts decreased due to a decreased in funding received from the State of Ohio. All other 2006 receipts remained consistent with 2005.

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

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase/</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>				
General government	\$ 1,562,136	\$ 1,564,737	\$ (2,601)	(0.17) %
Security of persons and property	1,531,646	1,454,498	77,148	5.30 %
Public health service	59,646	72,700	(13,054)	(17.96) %
Leisure time activity	55,731	49,903	5,828	11.68 %
Capital outlay	379,042	208,731	170,311	81.59 %
Debt service				
Principal retirement	105,000	120,000	(15,000)	(12.50) %
Interest and fiscal charges	<u>3,353</u>	<u>2,429</u>	<u>924</u>	38.04 %
Total	<u>\$ 3,696,554</u>	<u>\$ 3,472,998</u>	<u>\$ 223,556</u>	6.44 %

Expenditures increased primarily in the area of capital outlay. The City made more capital purchases in 2006 than in 2005. In addition, the City has retired a previously issued bond anticipation note in the amount of \$105,000 in 2006.

Revolving Loan Fund

The revolving loan fund, a City major fund, had cash receipts of \$49,249 in 2006. The revolving loan fund had cash disbursements of \$229,133 in 2006. The revolving loan fund cash balance decreased \$179,884 from 2005 to 2006 due to loan activity which occurred in 2006.

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 2006, final budget basis receipts and other financing receipts for the general fund were the same as the original budget estimates of \$3,662,325. Actual cash receipts and other financing receipts of \$3,803,244 were more than final budget estimates by \$140,919. The original and final budgetary basis disbursements and other financing disbursements were \$3,940,957. The actual budgetary basis disbursements and other financing disbursements of \$3,908,358 were \$32,599 less than the final budget estimates.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Enterprise Funds

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

The City's enterprise funds reported a combined net cash assets of \$815,993, which is \$10,369 above last year's total of \$805,624.

The schedule below indicates the net cash assets and the total change in net cash assets as of December 31, 2006 and December 31, 2005, for all major and nonmajor enterprise funds:

	<u>Fund Cash Balance</u> <u>December 31, 2006</u>	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
Sewage Disposal	\$ 215,812	\$ 147,414	\$ 68,398
Sewage Disposal Sinking	600,181	631,984	(31,803)
Nonmajor Fund:			
SDO Capital Projects	<u> -</u>	<u> 26,226</u>	<u> (26,226)</u>
Total	<u>\$ 815,993</u>	<u>\$ 805,624</u>	<u>\$ 10,369</u>

Sewage Disposal Fund

The sewage disposal fund, a City major fund, had operating cash receipts of \$881,455 and operating cash disbursements of \$2,526,606 during 2006. The sewage disposal fund had \$1,713,549 in nonoperating cash receipts during 2006. The sewage disposal fund's net cash assets increased \$68,398 during 2006 from \$147,414 to \$215,812.

Sewage Disposal Sinking Fund

The sewage disposal sinking fund, a City major fund, had operating cash receipts of \$340,483 and no operating cash disbursements during 2006. The sewage disposal sinking fund had \$10,943 in nonoperating cash receipts and \$383,229 in nonoperating disbursements (principal and interest payments on loans). The sewage disposal fund's net cash assets decreased \$31,803 during 2006 from \$631,984 to \$600,181.

SDO Capital Projects Fund

The SDO capital projects fund, a City non-major fund, had operating cash disbursements of \$283,964 during 2006. The sewage disposal sinking fund had \$257,738 in nonoperating cash receipts. The SDO capital projects fund's net cash assets were \$0 at December 31, 2006.

Capital Assets and Debt Administration

Capital Assets

The City does not record capital assets in the accompanying modified cash basis basic financial statements, but records payments for capital assets as disbursements. The City had capital outlay disbursements of \$812,986 (both governmental activities and business-type activities) during fiscal year 2006.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

Debt Administration

The City does not record debt obligations in the accompanying modified 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 a bond anticipation note outstanding at December 31, 2006 in the amount of \$55,000. This note bears an interest rate of 3.19% and matures in 2007. The City retired a previously issued bond anticipation note in 2006 in the amount of \$105,000.

In the business-type activities, the City has OWDA loans and an OPWC loan outstanding at December 31, 2006. These loans are being repaid from resources of the enterprise operations. Principal payments in 2006 were \$361,860 related to these obligations.

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 2007:

The City is located in Mahoning County, Ohio, which has an unemployment rate currently of 6.8 %, compared to the 5.9% state average and the 5.1% national average.

These economic factors were considered in preparing the City's budget for fiscal year 2007. Budgeted revenues and other financing sources in the general fund for fiscal year 2007 are \$3,700,000. 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, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 573,917	\$ 215,812	\$ 789,729
Cash and cash equivalents with fiscal/escrow agents	-	600,181	600,181
Total assets.	573,917	815,993	1,389,910
Net cash assets:			
Restricted for:			
Transportation projects	5,365	-	5,365
Public health services	15,422	-	15,422
Leisure time activities.	33,991	-	33,991
General government operations	104,965	-	104,965
Security of persons and property programs	25,929	-	25,929
Revolving loan program	144,218	-	144,218
Community environment projects.	4,526	-	4,526
Debt service.	11,917	600,181	612,098
Other purposes	464	-	464
Unrestricted	227,120	215,812	442,932
Total net cash assets	\$ 573,917	\$ 815,993	\$ 1,389,910

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions
Governmental activities:			
Current:			
General government	\$ 1,683,798	\$ 201,730	\$ 40,953
Security of persons and property.	1,778,427	185,390	2,150
Transportation.	714,515	895	564,873
Public health services	87,499	44,704	19,146
Leisure time activities	68,161	17,675	-
Community environment	360,634	-	349,752
Miscellaneous	231,133	50,324	-
Capital outlay.	379,042	-	-
Debt service:			
Principal retirement.	105,000	-	-
Interest and fiscal charges	3,353	-	-
Total governmental activities	5,411,562	500,718	976,874
Business-Type activities:			
Sewage disposal	2,526,606	871,805	1,713,549
Sewage disposal sinking.	383,229	340,483	-
SDO capital projects	283,964	-	-
Total business-type activities	3,193,799	1,212,288	1,713,549
Totals	\$ 8,605,361	\$ 1,713,006	\$ 2,690,423

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.
Sale of notes
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
\$ (1,441,115)	\$ -	\$ (1,441,115)
(1,590,887)	-	(1,590,887)
(148,747)	-	(148,747)
(23,649)	-	(23,649)
(50,486)	-	(50,486)
(10,882)	-	(10,882)
(180,809)	-	(180,809)
(379,042)	-	(379,042)
(105,000)	-	(105,000)
(3,353)	-	(3,353)
<u>(3,933,970)</u>	<u>-</u>	<u>(3,933,970)</u>
-	58,748	58,748
-	(42,746)	(42,746)
<u>-</u>	<u>(283,964)</u>	<u>(283,964)</u>
-	(267,962)	(267,962)
<u>(3,933,970)</u>	<u>(267,962)</u>	<u>(4,201,932)</u>
2,994,504	-	2,994,504
73,719	-	73,719
36,768	-	36,768
36,768	-	36,768
231,286	-	231,286
55,000	-	55,000
-	257,738	257,738
21,293	10,943	32,236
149,347	9,650	158,997
<u>3,598,685</u>	<u>278,331</u>	<u>3,877,016</u>
(335,285)	10,369	(324,916)
<u>909,202</u>	<u>805,624</u>	<u>1,714,826</u>
<u>\$ 573,917</u>	<u>\$ 815,993</u>	<u>\$ 1,389,910</u>

CITY OF STRUTHERS, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<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	\$ 231,888	\$ 144,218	\$ 197,811	\$ 573,917
Total assets	<u>\$ 231,888</u>	<u>\$ 144,218</u>	<u>\$ 197,811</u>	<u>\$ 573,917</u>
Fund cash balances:				
Reserved for encumbrances.	\$ 47,684	\$ -	\$ 3,986	\$ 51,670
Unreserved, undesignated, reported in:				
General fund.	184,204	-	-	184,204
Special revenue funds	-	144,218	181,908	326,126
Debt service funds.	-	-	11,917	11,917
Total fund cash balances	<u>\$ 231,888</u>	<u>\$ 144,218</u>	<u>\$ 197,811</u>	<u>\$ 573,917</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, 2006

	General	Revolving Loan	Other Governmental Funds	Total Governmental Funds
Cash receipts:				
Taxes	\$ 2,994,504	\$ -	\$ 147,255	\$ 3,141,759
Intergovernmental	231,286	-	961,518	1,192,804
Charges for services	21,203	-	64,365	85,568
License, permits and fees	330,710	-	33,221	363,931
Interest	21,194	-	3,839	25,033
Miscellaneous	149,347	49,249	13,586	212,182
Total cash receipts	<u>3,748,244</u>	<u>49,249</u>	<u>1,223,784</u>	<u>5,021,277</u>
Cash disbursements:				
Current:				
General government	1,562,136	-	121,662	1,683,798
Security of persons and property	1,531,646	-	246,781	1,778,427
Transportation	-	-	714,515	714,515
Public health services	59,646	-	27,853	87,499
Community environment	-	-	360,634	360,634
Leisure time activities	55,731	-	12,430	68,161
Miscellaneous	-	229,133	2,000	231,133
Capital outlay	379,042	-	-	379,042
Debt service:				
Principal retirement	105,000	-	-	105,000
Interest and fiscal charges	3,353	-	-	3,353
Total cash disbursements	<u>3,696,554</u>	<u>229,133</u>	<u>1,485,875</u>	<u>5,411,562</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>51,690</u>	<u>(179,884)</u>	<u>(262,091)</u>	<u>(390,285)</u>
Other financing receipts (disbursements):				
Sale of notes	55,000	-	-	55,000
Transfers in	-	-	211,804	211,804
Transfers out	(211,804)	-	-	(211,804)
Total other financing receipts (disbursements)	<u>(156,804)</u>	<u>-</u>	<u>211,804</u>	<u>55,000</u>
Net change in fund cash balances	(105,114)	(179,884)	(50,287)	(335,285)
Fund cash balances				
at beginning of year	337,002	324,102	248,098	909,202
Fund cash balances at end of year	<u>\$ 231,888</u>	<u>\$ 144,218</u>	<u>\$ 197,811</u>	<u>\$ 573,917</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 2,925,863	\$ 2,925,863	\$ 2,994,504	\$ 68,641
Intergovernmental	225,984	225,984	231,286	5,302
Charges for services	20,717	20,717	21,203	486
License, permits and fees	323,129	323,129	330,710	7,581
Interest	20,708	20,708	21,194	486
Miscellaneous	145,924	145,924	149,347	3,423
Total budgetary basis receipts	<u>3,662,325</u>	<u>3,662,325</u>	<u>3,748,244</u>	<u>85,919</u>
Budgetary basis disbursements:				
Current:				
General government	1,974,503	1,974,503	1,562,136	412,367
Security of persons and property	1,430,727	1,430,727	1,531,646	(100,919)
Public health services	57,713	57,713	59,646	(1,933)
Leisure time activities	56,721	56,721	55,731	990
Capital outlay	179,000	179,000	379,042	(200,042)
Debt service:				
Principal retirement	-	-	105,000	(105,000)
Interest and fiscal charges	-	-	3,353	(3,353)
Total budgetary basis disbursements.	<u>3,698,664</u>	<u>3,698,664</u>	<u>3,696,554</u>	<u>2,110</u>
Excess of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(36,339)</u>	<u>(36,339)</u>	<u>51,690</u>	<u>88,029</u>
Other financing receipts (disbursements):				
Sale of notes	-	-	55,000	55,000
Transfers out	(242,293)	(242,293)	(211,804)	30,489
Total other financing receipts (disbursements)	<u>(242,293)</u>	<u>(242,293)</u>	<u>(156,804)</u>	<u>85,489</u>
Net change in fund cash balance	(278,632)	(278,632)	(105,114)	173,518
Fund cash balance at beginning of year	278,626	278,626	278,626	-
Prior year encumbrances appropriated	<u>58,376</u>	<u>58,376</u>	<u>58,376</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 58,370</u>	<u>\$ 58,370</u>	<u>\$ 231,888</u>	<u>\$ 173,518</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Miscellaneous	\$ -	\$ -	\$ 49,249	\$ 49,249
Total budgetary basis receipts	<u>-</u>	<u>-</u>	<u>49,249</u>	<u>49,249</u>
Budgetary basis disbursements:				
Current:				
Miscellaneous	-	-	229,133	(229,133)
Total budgetary basis disbursements.	<u>-</u>	<u>-</u>	<u>229,133</u>	<u>(229,133)</u>
Net change in fund cash balance	-	-	(179,884)	(179,884)
Fund cash balance at beginning of year	<u>-</u>	<u>-</u>	<u>324,102</u>	<u>324,102</u>
Fund cash balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,218</u>	<u>\$ 144,218</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF NET ASSETS - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2006

	Business-type Activities -Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking Fund	Nonmajor Enterprise	Total
Assets:				
Equity in pooled cash and cash equivalents	\$ 215,812	\$ -	\$ -	\$ 215,812
Cash and cash equivalents with fiscal/escrow agents	-	600,181	-	600,181
Total assets.	215,812	600,181	-	815,993
Net assets:				
Restricted for debt service.	-	600,181	-	600,181
Unrestricted.	215,812	-	-	215,812
Total net cash assets.	\$ 215,812	\$ 600,181	\$ -	\$ 815,993

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, 2006

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking Fund	Nonmajor Enterprise	Total
Operating receipts:				
Charges for services	\$ 518,457	\$ 340,483	\$ -	\$ 858,940
Tap-in fees	353,348	-	-	353,348
Other	9,650	-	-	9,650
Total operating receipts	881,455	340,483	-	1,221,938
Operating disbursements:				
Personal services	1,179,347	-	-	1,179,347
Materials and supplies	1,197,279	-	-	1,197,279
Capital outlay	149,980	-	283,964	433,944
Total operating disbursements	2,526,606	-	283,964	2,810,570
Operating income (loss)	(1,645,151)	340,483	(283,964)	(1,588,632)
Nonoperating receipts (disbursements)				
Interest revenue	-	10,943	-	10,943
Proceeds of loans	-	-	257,738	257,738
Grants	1,713,549	-	-	1,713,549
Principal retirement	-	(361,860)	-	(361,860)
Interest expense and fiscal charges	-	(21,369)	-	(21,369)
Total nonoperating receipts (disbursements)	1,713,549	(372,286)	257,738	1,599,001
Changes in net assets	68,398	(31,803)	(26,226)	10,369
Net cash assets at beginning of year	147,414	631,984	26,226	805,624
Net cash assets at end of year	\$ 215,812	\$ 600,181	\$ -	\$ 815,993

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
AGENCY FUND
DECEMBER 31, 2006

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 133,137
Total assets.	<u>133,137</u>
Net cash assets:	
Unrestricted	<u>133,137</u>
Total net cash assets	<u>\$ 133,137</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, 2006

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, 2006

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 non-exchange 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, 2006

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 Operating-Sinking Fund - The sewage disposal operating-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 sewer capital projects 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, 2006

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 2006, 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 2006 were \$21,194 which includes \$12,533 assigned from other City funds.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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, 2006

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 2006.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For fiscal year 2006, the City has implemented GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”. GASB Statement No. 46 defines enabling legislation and specifies how net cash assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net cash assets restricted by enabling legislation.

The implementation of GASB Statement No. 46 did not have an effect on the fund cash balances/net cash assets of the City as previously reported at December 31, 2005.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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;

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 \$600,181 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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all City deposits was \$753,829 exclusive of the \$625,000 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, 2006, \$589,292 of the City’s bank balance of \$865,171 was exposed to custodial risk as discussed below, while \$275,889 was covered by the Federal Deposit Insurance Corporation.

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, 2006, 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	\$ 144,218	\$ 144,218
Repurchase Agreement	<u>625,000</u>	<u>625,000</u>
	<u>\$ 769,218</u>	<u>\$ 769,218</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 and no-load money market mutual funds, were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2006:

<u>Investment type</u>	<u>Balance at Carrying Value</u>	<u>% of Total</u>
No-Load Money Market		
Mutual Funds	\$ 144,218	18.75
Repurchase Agreement	<u>625,000</u>	<u>81.25</u>
	<u>\$ 769,218</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, 2006:

<u>Cash and investments per note above</u>	
Carrying amount of deposits	\$ 753,829
Investments	<u>769,218</u>
Total	<u>\$ 1,523,047</u>
 <u>Cash and investments per statement of net assets - cash basis</u>	
Governmental activities	\$ 573,917
Business-type activities	815,993
Agency funds	<u>133,137</u>
Total	<u>\$ 1,523,047</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 5 - LESSEE DISCLOSURE - LEASES

During 2006, the District entered into a new lease agreement for an upgrade to the vector/sewer cleaner. Under the new lease agreement, the lessor made the City's final payment due on the old lease and forgave the balloon payment due on the old lease. Payment on the new lease is scheduled to begin one year after delivery of the new vector/sewer cleaner (October 2007). Due to the new lease agreement, no principal or interest payments were required in 2006 on the old vector/sewer cleaner lease.

The City also has lease agreement for copier equipment.

Principal and interest payments in the 2006 fiscal year totaled \$3,975 and \$1,171, respectively. Future lease payments are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Payment</u>
2007	\$ 47,178
2008	47,179
2009	47,179
2010	45,646
2011	<u>42,033</u>
Total minimum lease payments	229,215
Less: amount representing interest	<u>(58,996)</u>
Present value of future minimum lease payments	<u><u>\$170,219</u></u>

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2006, debt obligations consisted of the following issuances:

Ohio Public Works Commission Loans (OPWC):	
Principal outstanding	\$417,392
Interest rate	0%
Ohio Water Development Authority Loans (OWDA):	
Principal outstanding	\$ 581,805
Interest rate	2.0 - 10.84%
<u>Debt service fund:</u>	
Bond Anticipation Notes:	
Principal outstanding	\$ 55,000
Interest rate	3.19%

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - DEBT OBLIGATIONS - (Continued)

Transactions for the year ended December 31, 2006, are summarized as follows.

<u>Governmental activities:</u>	Balance 12/31/05	Proceeds	Payments	Balance 12/31/06	Amounts Due in One Year
Bond anticipation notes	105,000	55,000	(105,000)	55,000	55,000
Total governmental activities	105,000	55,000	(105,000)	55,000	55,000
<u>Business-type activities:</u>					
OPWC loans	454,342	-	(36,950)	417,392	36,950
OWDA loans	648,977	257,738	(324,910)	581,805	12,964
Total business-type activities	1,103,319	257,738	(361,860)	999,197	49,914
Grand total	<u>\$ 1,208,319</u>	<u>\$ 312,738</u>	<u>\$ (466,860)</u>	<u>\$ 1,054,197</u>	<u>\$ 104,914</u>

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. The note debt issued during 2006 was \$55,000 and is due March 2007.

The OPWC loan is for Wastewater Treatment Plant improvements. The following is the future debt service requirements to retire the City's OPWC loan:

Year Ending	OPWC Loan		
	Principal	Interest	Total
December 31,			
2007	\$ 36,950	\$ -	\$ 36,950
2008	36,950	-	36,950
2009	36,950	-	36,950
2010	36,950	-	36,950
2011	36,950	-	36,950
2012 - 2016	184,750	-	184,750
2017 - 2018	47,892	-	47,892
Totals	<u>\$ 417,392</u>	<u>\$ -</u>	<u>\$ 417,392</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The City has three 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. The OWDA loan for septage handling phase 2 was not closed as of year-end and is not presented in the future debt schedules below. The principal balance of this OWDA loan is \$303,961 at December 31, 2006. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2007	\$ 12,964	\$ 5,492	\$ 18,456
2008	13,225	5,232	18,457
2009	13,491	4,966	18,457
2010	13,762	4,695	18,457
2011	14,038	4,418	18,456
2012 - 2016	74,542	17,742	92,284
2017 - 2021	82,339	9,946	92,285
2022 - 2024	<u>53,483</u>	<u>1,887</u>	<u>55,370</u>
Totals	<u>\$ 277,844</u>	<u>\$ 54,378</u>	<u>\$ 332,222</u>

NOTE 7 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenues received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values are established by State law at 35% of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2006 public utility property taxes which became a lien December 31, 2005, are levied after October 1, 2006 and collected in 2007 real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventories.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 7 - PROPERTY TAX - (Continued)

The full tax rate for all City operations for the year ended December 31, 2006 was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real property	
Residential/agricultural	\$ 80,882,810
Other real estate	11,719,620
Public utility real and personal property	6,451,140
Tangible personal property	<u>8,349,036</u>
Total	<u>\$ 107,402,606</u>

Real property taxes are payable annually and 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Struthers. The County Auditor periodically remits to the City its portion of the taxes collected.

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 2006, the proceeds were allocated to the general fund.

NOTE 9 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 9 - PENSION PLANS - (Continued)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions to OPERS for the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$258,823, \$250,187, and \$248,233, respectively; 92.55% has been contributed for 2006, and 100% for 2005 and 2004. The City contributed \$1,361 to the member-directed plan for 2006.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The portion of the City's contribution fund pension obligations was 11.75% and 16.25% for police officers and firefighters, respectively. The City's contributions to OP&F for police and firefighters were \$139,264 and \$107,140 for the year ended December 31, 2006, \$131,552 and \$103,699 for the year ended December 31, 2005 and \$139,469 and \$98,485 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 75.59% for police and 77.06% for firefighters has been contributed for 2006.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. The City's actual employer contributions for 2006 which were used to fund postemployment benefits were \$85,015. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12.0 billion. At December 31, 2006, the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional fund to be allocated to the health care plan.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 10 - POSTRETIREMENT BENEFIT PLANS – (Continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other 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 the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$55,349 for police and \$34,597 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

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 \$938.59 per month for family coverage and \$384.33 per month for single coverage. Dental premiums were \$62.80 per month for family coverage and \$22.42 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 \$50 of the 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, 2006

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 2006, the City obtained insurance through the Ohio Plan for various types of insurance coverage. The coverage limits in effect at December 31, 2006 follows:

	<u>Coverage</u>	<u>Deductible</u>
Inland Marine:		\$1,000
Miscellaneous Property	10,000	
Fire/Rescue Equipment	40,000	
Scheduled Equipment	1,118,178	
Terrorism:		5,000
Each occurrence	2,000,000	
Aggregate	8,000,000	
Property	30,496,132	1,000
Boiler	30,396,132	1,000
Electronic Data Processing:		500
Hardware	50,000	
Software	10,000	
General Liability:		0
Each Occurrence	1,000,000	
Personal & Advertising	1,000,000	
General Aggregate	3,000,000	
Medical Expense per Person	10,000	
Medical Expense Annual Aggregate	50,000	
Employer's Liability	1,000,000	
Public Officials Liability:		5,000
Each Wrongful Act	1,000,000	
Aggregate	3,000,000	
Law Enforcement Liability:		5,000
Each Wrongful Act	1,000,000	
Aggregate	3,000,000	
Fleet:		
Comprehensive	1,000,000	500
Collision	1,000,000	500

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

<u>Transfer to</u>	<u>Transfer from</u>
	<u>General</u>
Nonmajor governmental funds:	
Solid waste fund	\$ 16,683
Juvenile diversion fund	3,887
Police pension fund	99,290
Fire pension fund	73,944
Street construction maintenance and repair fund	6,000
Elderly van fund	<u>12,000</u>
Total	<u>\$ 211,804</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 governmental funds are eliminated on the government-wide statement of activities – cash basis.

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Mary Taylor, CPA

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 years ended December 31, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2008. We noted the City uses a comprehensive accounting basis other than generally accepted accounting principles. Except for a restriction on the scope of our audit related to charges for services reported in business type activities, and the Sewage Disposal and Sewage Disposal Sinking Funds, 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 expressing our opinions on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002 through 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above, findings 2006-002 through 2006-004, are also material weaknesses.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 31, 2008.

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 2006-001, 2006-002 and 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 31, 2008.

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.



Mary Taylor, CPA
Auditor of State

December 31, 2008

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2006-001
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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 2006, 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	2006-002
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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). Consequently, the City violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate the related monies.

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

Officials' Response: The City is working on correcting this.

Finding Number	2006-003
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Noncompliance Citation / Material Weakness – 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.

We recommend the City include the Revolving Loan Fund on their books, including all receipts and disbursements. All checks written from this fund should be written by the City. We also recommend the City budget for this fund as required by Ohio Revised Code Section 5705. (The financial statements and accounting records include the proper adjustments to reflect the CDBG activity.)

Officials' Response: This was addressed by the City in 2009.

Finding Number	2006-004
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Material Weakness/Significant Deficiency

Sewer Billings and Collections

The City has delegated 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)	2006-004
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Material Weakness/Significant Deficiency – (Continued)

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. 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 on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS 70 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 request a Type Two SAS 70 or Agreed Upon Procedures report in its contract with Aqua Utility Services. The City should review the SAS 70 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, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Finding for Recovery- Overpayment due to calculation error	No	Partially Corrected - Findings for Recovery remain unpaid.
2004-002	Ohio Administrative Code Section 117-2-03 (B) - The City does not report on GAAP.	No	Reported again as finding 2006-001.
2004-003	Ohio Revised Code Section 5705.09 (F) – The City did not set up a fund for Issue 2 projects.	No	Reported again as finding 2006-002.
2004-004	Ohio Revised Code Section 5705.41(B) - Actual disbursements plus outstanding encumbrances in excess of prior and current year appropriations in various funds	No	Partially Corrected – Reported in Management Letter.



Mary Taylor, CPA
Auditor of State

CITY OF STRUTHERS

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 9, 2009**