



Dave Yost • Auditor of State

**CITY OF STRUTHERS
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our qualified opinion.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the proper processing of sewer billings and receipts. Those revenues represent 20% of the receipts reported with the business type activities and the Statement of Receipts, Disbursements and Changes in Net Cash Assets – Enterprise Funds, as well as 20% and 11% of revenues in the Sewage Disposal and Sewage Disposal Sinking Funds, respectively. The City has outsourced sewer billings and collections to a service organization. The financial statements report sewer billings and collections in the Sewage Disposal and the Sewage Disposal Sinking Funds (enterprise funds). The service organization did not provide us with information regarding the design or proper operation of its internal controls or with certain information regarding charges for services. We were unable to determine whether any adjustments to these amounts were necessary through alternative procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business type activities, the Sewage Disposal Fund and Sewage Disposal Sinking Fund of the City of Struthers, Mahoning County, Ohio, as of December 31, 2012, and the respective changes in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the General and Storm Water funds, and the aggregate remaining fund information of the City of Struthers, Mahoning County, Ohio, as of December 31, 2012 and the respective changes in cash financial position and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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 2, 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.

Other Matters

We applied no procedures to the Management's Discussion & Analysis presented on pages 5-15 of the report, and accordingly, we express no opinion or any other assurance on it

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015, 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.

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

Dave Yost
Auditor of State

June 17, 2015

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CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

The management's discussion and analysis of the City of Struthers' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012, within the limitations of the City's cash basis of accounting. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The total net cash position of the City increased \$91,542. Net cash position of governmental activities increased \$46,510, which represents a 6.82% increase from year 2011. Net cash position of business-type activities increased \$45,032 or 4.31% from year 2011.
- General cash receipts accounted for \$3,630,630 or 74.79% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,223,740 or 25.21% of total governmental activities cash receipts.
- The City had \$4,807,860 in cash disbursements related to governmental activities; \$1,223,740 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$3,630,630 were adequate to provide for these programs.
- The City's major governmental fund is the general fund. The general fund had cash receipts and other financing receipts of \$3,945,126 in 2012. The cash disbursements and other financing disbursements of the general fund, totaled \$3,797,505 in 2012. The general fund's cash balance increased \$147,621 from 2011 to 2012.
- The City's major enterprise funds are the sewage disposal operating fund, the sewage disposal sinking fund and the storm water fund. Net cash position for the sewage disposal fund decreased in 2012 by \$106,380 or 26.77%. Net cash position for the sewage disposal sinking fund increased in 2012 by \$80,430 or 15.40%. Net cash position for the storm water fund increased in 2012 by \$70,982 or 56.42%.

Using these Cash Basis Basic Financial Statements (BFS)

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

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

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

Reporting the City as a Whole

Statement of net cash position and the statement of activities

The statement of net cash position – cash basis and the statement of activities – cash basis answer the question, “How did we do financially during 2012?” These statements include *only net cash position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net cash position – cash basis and the statement of activities – cash basis, the City is divided into two distinct kinds of activities. Governmental Activities - Most of the City’s programs and services are reported here including transportation, health, security of persons and property, leisure time activities 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 cash position – cash basis and the statement of activities – cash basis can be found on pages 17-19 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 only major governmental fund is the general fund. The analysis of the City’s major governmental fund begins on page 11.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

Governmental Funds

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various City programs. Since the City is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 20-21 of this report.

The City's budgetary process accounts for certain transactions on a cash basis. A budgetary statements for the general fund is presented to demonstrate the City's compliance with annually adopted budgets. The budgetary statement can be found on pages 22 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the City as a whole. The City uses enterprise funds to account for sewage disposal operations, sewage sinking fund operations and sewage disposal operations capital projects. The enterprise fund statements can be found on pages 23-24 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 25.

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 27-45 of this report.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Government-Wide Financial Analysis

Recall that the statement of net cash position – cash basis provides the perspective of the City as a whole. The table below provides a summary of the City's net cash position at December 31, 2012 and 2011.

	Net Cash Position					
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 728,013	\$ 1,090,410	\$ 681,503	\$ 1,045,378	\$ 1,818,423	\$ 1,726,881
Total assets	<u>728,013</u>	<u>1,090,410</u>	<u>681,503</u>	<u>1,045,378</u>	<u>1,818,423</u>	<u>1,726,881</u>
<u>Net cash position</u>						
Restricted	234,555	602,604	350,963	522,174	837,159	873,137
Unrestricted	<u>493,458</u>	<u>487,806</u>	<u>330,540</u>	<u>523,204</u>	<u>981,264</u>	<u>853,744</u>
Total net cash position	<u>\$ 728,013</u>	<u>\$ 1,090,410</u>	<u>\$ 681,503</u>	<u>\$ 1,045,378</u>	<u>\$ 1,818,423</u>	<u>\$ 1,726,881</u>

The total net cash position of the City increased \$91,542. Net cash position of governmental activities increased \$46,510, which represents a 6.82% increase from 2011. Net cash position of business-type activities increased \$45,032 or 4.31% from 2011.

The balance of governmental activities unrestricted net cash position of \$493,458 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, 2012
(UNAUDITED)

The table below shows the changes in net cash position for fiscal year 2012 and 2011.

	Change in Net Cash Position					
	Governmental	Business-type	Governmental	Business-type		
	Activities	Activities	Activities	Activities	2012	2011
	2012	2012	2011	2011	Total	Total
Cash Receipts:						
Program cash receipts:						
Charges for services and sales	\$ 524,181	\$ 2,739,608	\$ 507,388	\$ 2,818,438	\$ 3,263,789	\$ 3,325,826
Operating grants and contributions	627,675	164,968	855,245	120,975	792,643	976,220
Capital grants and contributions	<u>71,884</u>	<u>620,353</u>	<u>163,730</u>	<u>1,298,401</u>	<u>692,237</u>	<u>1,462,131</u>
Total program cash receipts	<u>1,223,740</u>	<u>3,524,929</u>	<u>1,526,363</u>	<u>4,237,814</u>	<u>4,748,669</u>	<u>5,764,177</u>
General cash receipts:						
Property and other taxes	3,180,112	-	3,074,244	-	3,180,112	3,074,244
Unrestricted grants	271,393	-	377,704	-	271,393	377,704
Loan proceeds	-	154	-	265,281	154	265,281
Investment receipts	-	303	520	175	303	695
Miscellaneous	<u>179,125</u>	<u>-</u>	<u>158,611</u>	<u>-</u>	<u>179,125</u>	<u>158,611</u>
Total general cash receipts	<u>3,630,630</u>	<u>457</u>	<u>3,611,079</u>	<u>265,456</u>	<u>3,631,087</u>	<u>3,876,535</u>
Total cash receipts	<u>4,854,370</u>	<u>3,525,386</u>	<u>5,137,442</u>	<u>4,503,270</u>	<u>8,379,756</u>	<u>9,640,712</u>
Cash Disbursements:						
General government	1,921,874	-	1,958,013	-	1,921,874	1,958,013
Security of persons and property	1,720,857	-	1,862,973	-	1,720,857	1,862,973
Transportation	488,152	-	567,161	-	488,152	567,161
Public health services	136,270	-	40,582	-	136,270	40,582
Leisure time activities	59,712	-	79,604	-	59,712	79,604
Community environment	191,883	-	292,135	-	191,883	292,135
Miscellaneous	53,325	-	73,681	-	53,325	73,681
Capital outlay	235,787	-	197,100	-	235,787	197,100
Sewage disposal	-	2,730,190	-	2,610,207	2,730,190	2,610,207
Sewage disposal sinking	-	585,391	-	1,385,574	585,391	1,385,574
Storm water	<u>-</u>	<u>164,773</u>	<u>-</u>	<u>241,882</u>	<u>164,773</u>	<u>241,882</u>
Total cash disbursements	<u>4,807,860</u>	<u>3,480,354</u>	<u>5,071,249</u>	<u>4,237,663</u>	<u>8,288,214</u>	<u>9,308,912</u>
Increase in net position						
before transfers	46,510	45,032	66,193	265,607	331,800	331,800
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net cash position	46,510	45,032	66,193	265,607	91,542	331,800
Net cash position at beginning of year	<u>681,503</u>	<u>1,045,378</u>	<u>615,310</u>	<u>779,771</u>	<u>1,726,881</u>	<u>1,395,081</u>
Net cash position at end of year	<u>\$ 728,013</u>	<u>\$ 1,090,410</u>	<u>\$ 681,503</u>	<u>\$ 1,045,378</u>	<u>\$ 1,818,423</u>	<u>\$ 1,726,881</u>

Governmental Activities

Governmental cash position increased by \$46,510 in 2012 compared to 2011.

CITY OF STRUTHERS, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

General government represents activities related to the governing body as well as activities that directly support City programs. In 2012, general government cash disbursements totaled \$1,921,874, or 39.97% of total governmental cash disbursements. General government programs were supported by \$229,509 in direct charges to users for services and \$5,790 in operating and contributing grants.

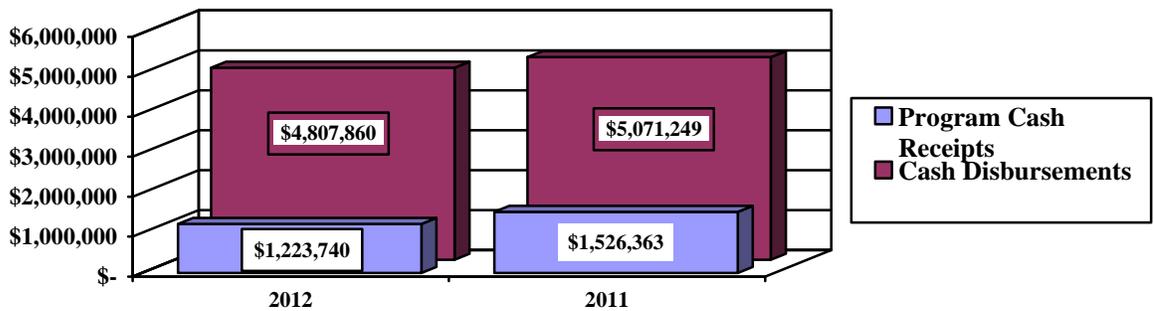
In 2012, the security of persons and property programs accounted for \$1,720,857 or 35.79% of total government cash disbursements. Security of persons and property programs were supported by \$265,661 in direct uses charge and \$3,293 in operating and contributing grants.

In 2012, the transportation projects accounted for \$488,152 or 10.15% of total government cash disbursements. Transportation projects were supported by \$422,199 in operating and contributing grants.

In 2012, the community environment programs accounted for \$191,883 or 3.99% of total government cash disbursements. Community environment programs were supported by \$66,819 in operating and contributing grants. The community environment programs are funded by federal 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 2012 and 2011. 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

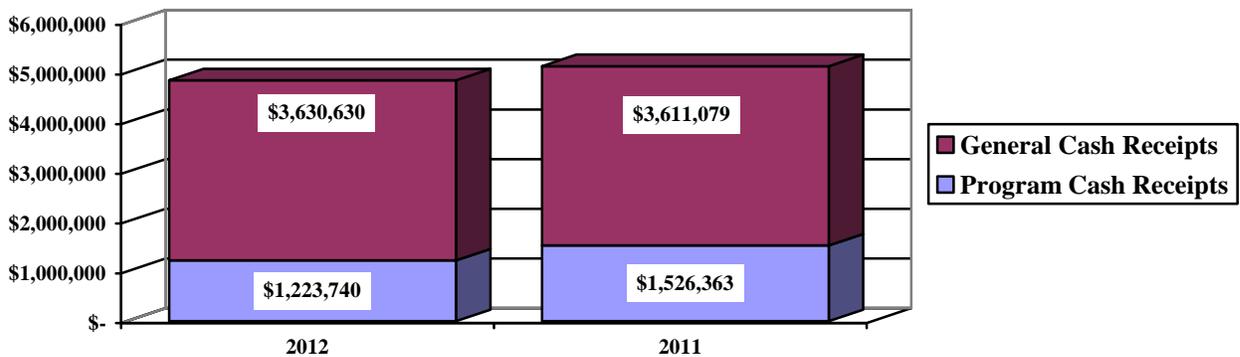
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

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

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
Cash disbursements:				
Current:				
General government	\$ 1,921,874	\$ 1,686,575	\$ 1,958,013	\$ 1,738,301
Security of persons and property	1,720,857	1,451,903	1,862,973	1,525,772
Transportation	488,152	65,953	567,161	17,072
Public health services	136,270	11,706	40,582	18,158
Leisure time activities	59,712	43,354	79,604	65,949
Community environment	191,883	125,064	292,135	(37,720)
Miscellaneous	53,325	53,325	73,681	73,681
Revolving fund loans	-	(17,663)	-	(18,867)
Capital outlay	235,787	163,903	197,100	162,540
Total	<u>\$ 4,807,860</u>	<u>\$ 3,584,120</u>	<u>\$ 5,071,249</u>	<u>\$ 3,544,886</u>

The dependence upon general cash receipts for governmental activities is apparent; with 74.55% of cash disbursements supported through taxes and other general cash receipts during 2012.

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The sewage disposal fund, sewage disposal sinking fund and the storm water fund are the City's business-type activities. These programs had cash receipts of \$3,525,386 and cash disbursements of \$3,480,354 for 2012. The net cash position of the programs increased \$45,032 from 2011.

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.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

Governmental Funds

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

The City's governmental funds reported a combined fund cash balance of \$728,013, which is \$46,510 higher than last year's total of \$681,503. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2012 and December 31, 2011, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>December 31, 2012</u>	Fund Cash Balance <u>December 31, 2011</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 473,208	\$ 325,587	\$ 147,621
Other nonmajor governmental funds	<u>254,805</u>	<u>355,916</u>	<u>(101,111)</u>
Total	<u>\$ 728,013</u>	<u>\$ 681,503</u>	<u>\$ 46,510</u>

General Fund

The general fund, the City's largest major fund, had cash receipts and cash disbursements of \$3,931,426 and \$3,526,505, respectively, in 2012. These amounts exclude other financing receipts and other financing disbursements, which consisted of \$3,700 in sale of assets, \$10,000 advances in, \$15,000 advances out, and transfers out of \$256,000 in 2012. The general fund's cash balance increased \$147,621 from 2011 to 2012.

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Cash Receipts:</u>				
Taxes	\$ 3,060,116	\$ 2,944,813	\$ 115,303	3.92 %
Intergovernmental	259,537	365,234	(105,697)	(28.94) %
Charges for services	5,427	4,880	547	11.21 %
License, permits and fees	430,921	419,569	11,352	2.71 %
Investment income	-	520	(520)	(100.00) %
Miscellaneous	<u>175,425</u>	<u>146,611</u>	<u>28,814</u>	19.65 %
Total	<u>\$ 3,931,426</u>	<u>\$ 3,881,627</u>	<u>\$ 49,799</u>	1.28 %

Intergovernmental revenues decreased due to a decrease in local government and estate tax revenues. Miscellaneous receipts increased due to an increase in employee insurance refunds. All other 2012 receipts remained consistent with 2011.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>Decrease</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>				
General government	\$ 1,842,438	\$ 1,900,811	\$ (58,373)	(3.07) %
Security of persons and property	1,473,519	1,520,887	(47,368)	(3.11) %
Leisure time activity	46,645	62,972	(16,327)	(25.93) %
Capital outlay	<u>163,903</u>	<u>162,540</u>	<u>1,363</u>	0.84 %
Total	<u>\$ 3,526,505</u>	<u>\$ 3,647,210</u>	<u>\$ (120,705)</u>	(3.31) %

The City closely monitored spending and implemented cost savings when possible, resulting in a decrease in cash disbursements in the general fund of \$120,705. The decrease in leisure time activities was due to a decrease in care taker and park labor expenditures. All other 2012 expenditures remained consistent with 2011.

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 2012, final budget basis receipts and other financing receipts for the general fund were \$4,156,515 and original budget basis receipts and other financing receipts were \$3,600,946. Actual cash receipts and other financing receipts of \$3,945,126 were less than final budget estimates by \$211,389. The original budgetary basis disbursements and other financing disbursements were \$3,919,764 and final budgetary basis disbursements and other financing disbursements were \$3,957,708. The actual budgetary basis disbursements and other financing disbursements of \$3,853,586 were \$104,122 less than the final budget estimates.

Enterprise Funds

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

The City's enterprise funds reported a combined net cash position of \$1,090,410, which is \$45,032 more than last year's total of \$1,045,378.

The schedule below indicates the net cash position and the total change in net cash position as of December 31, 2012 and December 31, 2011, for all major and nonmajor enterprise funds:

	<u>Fund Cash Balance</u> <u>December 31, 2012</u>	<u>Fund Cash Balance</u> <u>December 31, 2011</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
Sewage disposal	\$ 291,020	\$ 397,400	\$ (106,380)
Sewage disposal sinking	602,604	522,174	80,430
Storm water	<u>196,786</u>	<u>125,804</u>	<u>70,982</u>
Total	<u>\$ 1,090,410</u>	<u>\$ 1,045,378</u>	<u>\$ 45,032</u>

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (UNAUDITED)

Sewage Disposal Fund

The sewage disposal fund, a City major fund, had operating cash receipts of \$2,623,810 and operating cash disbursements of \$2,730,190 during 2012. The sewage disposal fund's net cash position decreased \$106,380 during 2012 from \$397,400 to \$291,020.

Sewage Disposal Sinking Fund

The sewage disposal sinking fund, a City major fund, had operating cash receipts of \$161,956 and operating cash disbursements of \$380,627 during 2012. The sewage disposal sinking fund had \$503,865 in non-operating cash receipts and \$204,764 in non-operating disbursements (principal and interest payments on loans). The sewage disposal sinking fund's net cash position increased \$80,430 during 2012 from \$522,174 to \$602,604.

Storm Water Fund

The storm water fund, a City major fund, had operating cash receipts of \$235,755 and operating cash disbursements of \$164,773 during 2012. The storm water fund's net cash position increased \$70,982 during 2012 from \$125,804 to \$196,786.

Capital Assets and Debt Administration

Capital Assets

The City does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The City had capital outlay disbursements of \$1,006,757 (both governmental activities and business-type activities) during 2012.

Debt Administration

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

In the governmental activities, the City had capital lease obligations in the amount of \$36,086 outstanding at December 31, 2012.

In the business-type activities, the City has OWDA loans and OPWC loans outstanding at December 31, 2012. These loans are being repaid from resources of the enterprise operations. Principal payments in 2012 were \$141,273 related to these obligations. The balance of the OWDA and OPWC loans at December 31, 2012 were \$731,459 and \$1,526,368, respectively.

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

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2012:

The City is located in Mahoning County, Ohio, which has an unemployment rate currently of 7.3%, compared to the 6.7% state average and the 7.8% national average.

CITY OF STRUTHERS, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

These economic factors were considered in preparing the City's budget for 2013. Budgeted revenues and other financing sources in the general fund for fiscal year 2013 are \$3,635,107. 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. Christina Bohl, Auditor, City of Struthers, 6 Elm Street, Struthers, Ohio 44471.

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CITY OF STRUTHERS, OHIO

STATEMENT OF NET POSITION - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 728,013	\$ 1,090,410	\$ 1,818,423
 Total assets.	 <u>728,013</u>	 <u>1,090,410</u>	 <u>1,818,423</u>
Net cash position:			
Restricted for:			
Transportation projects	102,468	-	102,468
Public health services	10,863	-	10,863
General government operations	14,278	-	14,278
Security of persons and property programs . .	27,369	-	27,369
Revolving loan program.	52,323	-	52,323
Community environment projects	25,383	-	25,383
Debt service	1,871	602,604	604,475
Unrestricted.	<u>493,458</u>	<u>487,806</u>	<u>981,264</u>
 Total net cash position	 <u>\$ 728,013</u>	 <u>\$ 1,090,410</u>	 <u>\$ 1,818,423</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government	\$ 1,921,874	\$ 229,509	\$ 5,790	\$ -
Security of persons and property	1,720,857	265,661	3,293	-
Transportation	488,152	-	422,199	-
Public health services	136,270	-	124,564	-
Leisure time activities	59,712	16,358	-	-
Community environment	191,883	-	66,819	-
Miscellaneous	53,325	-	-	-
Revolving fund loans	-	12,653	5,010	-
Capital outlay	235,787	-	-	71,884
Total governmental activities	<u>4,807,860</u>	<u>524,181</u>	<u>627,675</u>	<u>71,884</u>
Business-type activities:				
Sewage disposal	2,730,190	2,341,897	-	281,913
Sewage disposal sinking	585,391	161,956	164,968	338,440
Storm water	164,773	235,755	-	-
Total business-type activities	<u>3,480,354</u>	<u>2,739,608</u>	<u>164,968</u>	<u>620,353</u>
Totals	<u>\$ 8,288,214</u>	<u>\$ 3,263,789</u>	<u>\$ 792,643</u>	<u>\$ 692,237</u>

General cash receipts:

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,686,575)	\$ -	\$ (1,686,575)
(1,451,903)	-	(1,451,903)
(65,953)	-	(65,953)
(11,706)	-	(11,706)
(43,354)	-	(43,354)
(125,064)	-	(125,064)
(53,325)	-	(53,325)
17,663	-	17,663
(163,903)	-	(163,903)
<u>(3,584,120)</u>	<u>-</u>	<u>(3,584,120)</u>
-	(106,380)	(106,380)
-	79,973	79,973
-	70,982	70,982
<u>-</u>	<u>44,575</u>	<u>44,575</u>
<u>(3,584,120)</u>	<u>44,575</u>	<u>(3,539,545)</u>
3,060,116	-	3,060,116
70,142	-	70,142
24,927	-	24,927
24,927	-	24,927
271,393	-	271,393
-	154	154
-	303	303
179,125	-	179,125
<u>3,630,630</u>	<u>457</u>	<u>3,631,087</u>
46,510	45,032	91,542
681,503	1,045,378	1,726,881
<u>\$ 728,013</u>	<u>\$ 1,090,410</u>	<u>\$ 1,818,423</u>

CITY OF STRUTHERS, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 473,208	\$ 254,805	\$ 728,013
 Total assets	<u>\$ 473,208</u>	<u>\$ 254,805</u>	<u>\$ 728,013</u>
Fund cash balances:			
Restricted:			
Transportation projects	\$ -	\$ 102,468	\$ 102,468
Public health services	-	10,863	10,863
General government operations	-	14,278	14,278
Security of persons and property programs	-	27,369	27,369
Revolving loan program	-	52,323	52,323
Community environment projects	-	25,383	25,383
Debt service	-	1,871	1,871
Committed:			
Transportation projects	-	1,195	1,195
Leisure time activities	-	8,055	8,055
Underground storage tanks	-	11,000	11,000
Assigned:			
Encumbrances - general government	51,588	-	51,588
Encumbrances - security of persons and property	4,493	-	4,493
Subsequent year appropriations	271,824	-	271,824
Unassigned	<u>145,303</u>	<u>-</u>	<u>145,303</u>
 Total fund cash balances	<u>\$ 473,208</u>	<u>\$ 254,805</u>	<u>\$ 728,013</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, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
Taxes	\$ 3,060,116	\$ 49,854	\$ 3,109,970
Intergovernmental	259,537	767,850	1,027,387
Charges for services	5,427	61,751	67,178
License, permits and fees	430,921	13,429	444,350
Interest	-	5,010	5,010
Principal received	-	12,653	12,653
Miscellaneous	175,425	8,697	184,122
Total cash receipts	<u>3,931,426</u>	<u>919,244</u>	<u>4,850,670</u>
Cash disbursements:			
Current:			
General government	1,842,438	79,436	1,921,874
Security of persons and property	1,473,519	247,338	1,720,857
Transportation	-	488,152	488,152
Public health services	-	136,270	136,270
Community environment	-	191,883	191,883
Leisure time activities	46,645	13,067	59,712
Miscellaneous	-	53,325	53,325
Capital outlay	163,903	71,884	235,787
Total cash disbursements	<u>3,526,505</u>	<u>1,281,355</u>	<u>4,807,860</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>404,921</u>	<u>(362,111)</u>	<u>42,810</u>
Other financing receipts (disbursements):			
Proceeds from sale of capital assets	3,700	-	3,700
Advances in	10,000	15,000	25,000
Advances out	(15,000)	(10,000)	(25,000)
Transfers in	-	256,000	256,000
Transfers out	<u>(256,000)</u>	<u>-</u>	<u>(256,000)</u>
Total other financing receipts (disbursements)	<u>(257,300)</u>	<u>261,000</u>	<u>3,700</u>
Net change in fund cash balances	147,621	(101,111)	46,510
Fund cash balances			
at beginning of year	325,587	355,916	681,503
Fund cash balances at end of year	<u>\$ 473,208</u>	<u>\$ 254,805</u>	<u>\$ 728,013</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 2,795,096	\$ 3,227,535	\$ 3,060,116	\$ (167,419)
Intergovernmental	237,060	273,736	259,537	(14,199)
Charges for services	4,957	5,724	5,427	(297)
License, permits and fees	393,601	454,497	430,921	(23,576)
Miscellaneous	160,232	185,023	175,425	(9,598)
Total budgetary basis receipts	<u>3,590,946</u>	<u>4,146,515</u>	<u>3,931,426</u>	<u>(215,089)</u>
Budgetary basis disbursements:				
Current:				
General government	1,996,371	2,088,470	1,894,026	194,444
Security of persons and property	1,380,921	1,348,371	1,478,012	(129,641)
Public health services	32,500	29,700	-	29,700
Leisure time activities	59,054	49,249	46,645	2,604
Capital outlay	198,500	188,500	163,903	24,597
Total budgetary basis disbursements	<u>3,667,346</u>	<u>3,704,290</u>	<u>3,582,586</u>	<u>121,704</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(76,400)</u>	<u>442,225</u>	<u>348,840</u>	<u>(93,385)</u>
Other financing receipts (disbursements):				
Proceeds from sale of assets	-	-	3,700	3,700
Advances in	10,000	10,000	10,000	-
Advances out	(15,000)	(15,000)	(15,000)	-
Transfers out	(237,418)	(238,418)	(256,000)	(17,582)
Total other financing receipts (disbursements)	<u>(242,418)</u>	<u>(243,418)</u>	<u>(257,300)</u>	<u>(13,882)</u>
Net change in fund cash balance	(318,818)	198,807	91,540	(107,267)
Fund cash balance at beginning of year	271,150	271,150	271,150	-
Prior year encumbrances appropriated	54,437	54,437	54,437	-
Fund cash balance at end of year	<u>\$ 6,769</u>	<u>\$ 524,394</u>	<u>\$ 417,127</u>	<u>\$ (107,267)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF NET POSITION - CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities -Enterprise Funds			Total
	Sewage Disposal	Sewage Disposal Sinking Fund	Storm Water	
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 291,020	\$ 602,604	\$ 196,786	\$ 1,090,410
Total assets.	<u>291,020</u>	<u>602,604</u>	<u>196,786</u>	<u>1,090,410</u>
Net cash position:				
Restricted for debt service.	-	602,604	-	602,604
Unrestricted.	291,020	-	196,786	487,806
Total net cash position.	<u>\$ 291,020</u>	<u>\$ 602,604</u>	<u>\$ 196,786</u>	<u>\$ 1,090,410</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
NET POSITION - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking Fund	Storm Water	Total
Operating receipts:				
Charges for services	\$ 1,874,150	\$ 161,956	\$ 235,755	\$ 2,271,861
Tap-in fees	442,587	-	-	442,587
Other	25,160	-	-	25,160
Total operating receipts	2,341,897	161,956	235,755	2,739,608
Operating disbursements:				
Personal services	1,218,893	-	14,941	1,233,834
Materials and supplies	981,831	-	7,042	988,873
Capital outlay	529,466	380,627	142,790	1,052,883
Total operating disbursements	2,730,190	380,627	164,773	3,275,590
Operating income (loss)	(388,293)	(218,671)	70,982	(535,982)
Nonoperating receipts (disbursements)				
Interest revenue	-	303	-	303
Proceeds of loans	-	154	-	154
Grants	281,913	503,408	-	785,321
Principal retirement	-	(141,273)	-	(141,273)
Interest expense and fiscal charges	-	(63,491)	-	(63,491)
Total nonoperating receipts (disbursements)	281,913	299,101	-	581,014
Changes in net cash position	(106,380)	80,430	70,982	45,032
Net cash position at beginning of year	397,400	522,174	125,804	1,045,378
Net cash position at end of year	\$ 291,020	\$ 602,604	\$ 196,786	\$ 1,090,410

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 160,851
Total assets.	<u>\$ 160,851</u>
Net cash position:	
Unrestricted	\$ 160,851
Total net cash position	<u>\$ 160,851</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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 position 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, 2012

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

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

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

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

C. Fund Accounting

The City uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The City classifies each fund as either governmental, proprietary or fiduciary.

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

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.

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, 2012

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

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

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

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

Storm water fund - The storm water fund accounts for waste treatments to the residential and commercial users located within the City. The costs of providing these services are financed primarily through user charges.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. 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, 2012**

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 Auditor 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 2012, the City's investments were limited to no-load money market mutual funds. Investments are reported at cost.

Investment procedures are restricted by provisions of the Ohio Revised Code. There were no interest receipts credited to the general fund during 2012.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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 Position

Net position is 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 position is 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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

O. Fund Cash Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 2012.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the City.

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 position/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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

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

1. Bonds of the State of Ohio;

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all City deposits was \$1,926,951. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$352,604 of the City's bank balance of \$2,145,205 was exposed to custodial risk as discussed below, while \$1,792,601 was covered by the FDIC.

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.

B. Investments

As of December 31, 2012, the City had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u> 6 months or less
No load money market mutual funds	\$ <u>52,323</u>	\$ <u>52,323</u>

The weighted average maturity of investments is one day.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 no-load money market mutual fund was rated AAAM by Standard & Poor’s.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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 Treasurer 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, 2012:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
No load money market mutual funds	\$ 52,323	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position - 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 position as of December 31, 2012:

<u>Cash and investments per note above</u>	
Carrying amount of deposits	\$ 1,926,951
Investments	<u>52,323</u>
Total	<u><u>\$ 1,979,274</u></u>

<u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 728,013
Business-type activities	1,090,410
Agency funds	<u>160,851</u>
Total	<u><u>\$ 1,979,274</u></u>

NOTE 5 - LESSEE DISCLOSURE - LEASES

In previous years, the City entered into lease agreements for a 2009 International 7400 truck. During 2012, the City entered into lease agreements for copier equipment.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - LESSEE DISCLOSURE – LEASES - (Continued)

Principal and interest payments in the 2012 totaled \$20,288 and \$2,571, respectively. Future lease payments are as follows:

<u>Year Ending December 31</u>	<u>Payment</u>
2013	\$ 25,558
2014	3,852
2015	3,852
2016	3,852
2017	<u>3,210</u>
Total minimum lease payments	40,324
Less: amount representing interest	<u>(4,238)</u>
Present value of future minimum lease payments	<u>\$ 36,086</u>

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2012, debt obligations consisted of the following issuances:

Enterprise funds:

Ohio Public Works Commission Loans (OPWC):

Principal outstanding	\$ 731,459
Interest rate	0%

Ohio Water Development Authority Loans (OWDA):

Principal outstanding	\$ 1,526,368
Interest rate	2.0 - 5.45%

Transactions for the year ended December 31, 2012, are summarized as follows:

	<u>Balance 12/31/11</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 12/31/12</u>	<u>Amounts Due in One Year</u>
<u>Business-type activities:</u>					
OPWC loans	\$ 788,956	\$ -	\$ (57,497)	\$ 731,459	\$ 57,499
OWDA loans	<u>1,609,989</u>	<u>154</u>	<u>(83,775)</u>	<u>1,526,368</u>	<u>-</u>
Total	<u>\$ 2,398,945</u>	<u>\$ 154</u>	<u>\$ (141,272)</u>	<u>\$ 2,257,827</u>	<u>\$ 57,499</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The City has four OPWC loans for wastewater treatment plant improvements. The following is the future debt service requirements to retire the City's OPWC loans:

Year Ending December 31,	OPWC Loan		
	Principal	Interest	Total
2013	\$ 57,499	\$ -	\$ 57,499
2014	57,498	-	57,498
2015	52,556	-	52,556
2016	47,613	-	47,613
2017	47,614	-	47,614
2018 - 2022	156,870	-	156,870
2023 - 2027	102,741	-	102,741
2028 - 2032	98,110	-	98,110
2033 - 2037	79,583	-	79,583
2038 - 2041	31,375	-	31,375
Totals	<u>\$ 731,459</u>	<u>\$ -</u>	<u>\$ 731,459</u>

The City has seven OWDA loans for wastewater treatment plant 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. Five OWDA loans were not closed as of year end and are not presented in the future debt schedules below. The principal balance of the open OWDA loans is \$1,150,961 at December 31, 2012. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2013	\$ 21,546	\$ 13,530	\$ 35,076
2014	22,222	12,853	35,075
2015	22,928	12,150	35,078
2016	23,658	11,417	35,075
2017	24,421	10,656	35,077
2018 - 2022	134,677	40,703	175,380
2023 - 2027	102,327	17,682	120,009
2028 - 2029	23,629	1,300	24,929
Totals	<u>\$ 375,408</u>	<u>\$ 120,291</u>	<u>\$ 495,699</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 7 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2012 (other than public utility property) represent the collection of calendar year 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011, on the value as of December 31, 2011. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on telephone and telecommunications property was eliminated in calendar year 2012. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2011-2012, the City was fully reimbursed for the lost revenue. In calendar years 2013-2017, the reimbursements will be phased out.

The County Auditor collects property taxes on behalf of all taxing districts in the County, including the City of Struthers. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes represent real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 7 - PROPERTY TAX - (Continued)

The full tax rate for all City operations for the year ended December 31, 2012 was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property for 2012 property tax were as follows:

Real Property

Residential/agricultural	\$ 87,560,580
Commercial/industrial/mineral	12,964,580
Public utility personal property	<u>4,666,480</u>
Total assessed value	<u>\$ 105,191,640</u>

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 2012, the income tax was received in the general fund.

NOTE 9 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 9 - PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$154,905, \$154,866, and \$172,889, respectively; 92.44% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$91,935 and \$74,830 for the year ended December 31, 2012, \$91,583 and \$75,209 for the year ended December 31, 2011, and \$99,645 and \$81,079, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 75.93% has been contributed for police and 77.10% has been contributed for firefighters for 2012.

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$117,883, \$117,854, and \$98,466, respectively; 92,44% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$48,672 and \$29,281 for the year ended December 31, 2012, \$48,485 and \$29,429 for the year ended December 31, 2011, and \$52,753 and \$31,726, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 75.93% has been contributed for police and 77.10% has been contributed for firefighters for 2012.

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 \$1,443.21 for family coverage, \$1,027.60 for employee spouse coverage, \$787.29 for employee child coverage and \$469.95 for single coverage. Dental premiums were \$56.00 for all plans. Vision premiums were \$15.79 for family coverage, \$11.24 for employee spouse coverage, \$8.65 for employee child coverage and \$5.12 for single coverage. Employees are required to pay 6 percent of the family premium each month and the City pays the remainder.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 11 - RISK MANAGEMENT – (Continued)

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.

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 2012, the City obtained insurance through the Ohio Plan for various types of insurance coverage.

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

NOTE 12 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 13 - INTERFUND TRANSACTIONS

- A.** Advances in and out for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

<u>Advance In</u>	<u>Advance Out</u>	
General fund	Court improvement fund	\$ 10,000
Court improvement fund	General fund	<u>15,000</u>
Total		<u>\$ 25,000</u>

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - INTERFUND TRANSACTIONS – (Continued)

- B.** Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

<u>Transfer to</u>	<u>Transfer from</u>
	<u>General</u>
SCMR fund	\$ 30,000
Elderly van fund	12,000
Police disability fund	115,000
Fire disability fund	75,000
Gas tank fund	11,000
Solid waste fund	<u>13,000</u>
 Total	 <u>\$ 256,000</u>

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

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At December 31, 2012, the encumbrances outstanding at year end (budgetary basis) amounted to \$56,081 for the general fund.

NOTE 15 - SUBSEQUENT EVENT

Following the year ended December 31, 2012, Christina Bohl became the Auditor for the City.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Struthers (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2015 wherein we noted the City uses a special purpose framework other than generally accepted accounting principles. We qualified our opinion on the Business Type Activities, Sewage Disposal and Sewage Disposal Sinking Funds because of a restriction on the scope of charges for services reported in business type activities.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider findings 2012-002, 2012-003 and 2012-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-005 described in the accompanying schedule of findings to be a significant deficiency.

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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001, 2011-002 and 2011-005.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

June 17, 2015

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2012-001
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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 2011, 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	2012-002
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Noncompliance Citation / Material Weakness – Issue 2 Funds

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

The City of Struthers did not establish the required Capital Projects (Issue 2) Funds in accordance with Ohio Revised Code § 5705.09(F), nor did they record the related revenues of \$281,913 and expenditures of \$281,913. The City's Issue 2 monies went directly from the Ohio Public Works Commission to the appropriate contractor, as is common procedure with Issue 2 funding, and the City did not record these monies coming into the City or being expended to the contractor as required. Consequently, the City also violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate these monies. (The financial statements include the proper adjustments to reflect the Issue 2 project activity within the Capital Projects Fund.)

Finding Number – (Continued)	2012-002
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We recommend that the City establish a separate Capital Projects Fund for each Issue 2 project in order to account for the related receipts and disbursements to the extent the local government has received a benefit from each project and budget for these monies accordingly.

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

Finding Number	2012-003
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Material Weakness - 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.

Evidence regarding the design and proper operation of the service organization's internal controls or with certain information regarding sewer billings receipts is not available. (Aqua Utility Services processed \$876,611 in 2012 in utility receipts for the City.) We were therefore unable to satisfy ourselves as to the proper processing of sewer bills and collections.

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

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

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

Finding Number – (Continued)	2012-003
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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 has obtained read-only access to various reports and information on Aqua’s computer system related to the City’s billing. This access should provide the City with some ability to gain assurances over completeness and accuracy.

Finding Number	2012-004
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Material Weakness - Establish an adequate system of internal controls

The City does not have adequate cash or budgetary controls. The following internal control deficiencies were noted during the audit:

- City Council does not receive monthly reports from the Auditor for cash receipts and disbursements made by the City.
- City Council does not receive reports of cash availability each month.
- The Treasurer completes cash reconciliations months after the closing of the books by the Auditor.
- The City's financial system is a series of excel spreadsheets without standard formatting for compatibility.

According to Ohio Administrative Code Section 117-2-01:

(A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

(B) "Internal control" means a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Reliability of financial reporting;
- (2) Effectiveness and efficiency of operations;
- (3) Compliance with applicable laws and regulations; and
- (4) Safeguarding of assets.

(C) Internal control consists of the following five interrelated components:

- (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- (2) Risk assessment, which is the entity's identification and analysis of relevant risks to the achievement of its objectives, forming a basis for determining how the risks should be managed.
- (3) Control activities, which are policies and procedures that help ensure management directives are carried out.
- (4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- (5) Monitoring, which is a process that assesses the quality of internal control performance over time.

Finding Number – (Continued)	2012-004
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(D) When designing the public office's system of internal control and the specific control activities, management should consider the following:

- (1) Ensure that all transactions are properly authorized in accordance with management's policies.
- (2) Ensure that accounting records are properly designed.
- (3) Ensure adequate security of assets and records.
- (4) Plan for adequate segregation of duties or compensating controls.
- (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- (6) Perform analytical procedures to determine the reasonableness of financial data.
- (7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- (8) Monitor activities performed by service organizations.

(E) Consideration should be given to the cost benefit of the controls. The cost of controls should not exceed their benefit.

Failure to establish internal controls could result in the misstatement of the City's revenues and/or expenditures and increases fraud risk.

The City should develop internal controls which will ensure the safeguarding of cash collections by the City. Further, the system of internal controls should ensure that timely financial information is made available to allow key decision makers such as Council the ability to make fiscally responsible decisions.

Officials Response: The current City Auditor was providing council with quarterly reports. She is now providing them monthly.

Finding Number	2012-005
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Noncompliance Citation / Significant Deficiency – Court Cash Reconciliation

Ohio Administrative Code Section 117-2-02 (A) indicates all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

During the review of criminal and civil bank accounts and other financial documentation, we noted many of the bank reconciliations did not include complete lists of outstanding checks and none of the reconciliations contained evidence that supported the Court's cash balance as of December 31, 2012. There was very little evidence the Clerk of Court compared the adjusted bank balance to the Court's book balances and ensured accurate reporting.

According to the Clerk of Courts, there is uncertainty involved in the cash reconciliations process for several reasons listed below:

Finding Number – (Continued)	2012-005
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- The list of outstanding checks is handwritten instead of system generated.
- Unclaimed funds including checks returned to the City are not voided and given to the City Treasury
- Bank fees are not withheld from funds before disbursement to the Treasury

By not establishing appropriate controls over the Municipal Court cash collections process there is an increased risk of these cash resources being exposed to waste, fraud, or misuse of public resources. Further the Courts may experience difficulty proving to the public these funds are being used to satisfy all legislative obligations in their distribution to the other entities the City is collecting fines and fees for.

The Clerk of Courts should perform monthly bank reconciliations based on the adjusted book balance provided as of the December 31, 2012 balance sheet date and ensure this book balance is the starting point for future reconciliations that are being reported to Council each month.

Officials Response: The Clerk of Courts is working on improving her reconciliation process.

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**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-001	Ohio Administrative Code Section 117-2-03 (B) - The City does not report on GAAP.	No	Reported again as finding 2012-001.
2011-002	Ohio Revised Code Section 5705.09 (F) – The City did not set up a fund for Issue 2 projects.	No	Reported again as finding 2012-002.
2011-003	The City has delegated the processing of sewer billings and collections to a third party administrator (TPA) and the City has not established procedures to determine whether the TPA has sufficient controls.	No	Reported again as finding 2012-003
2011-004	Recommendation for the City to develop internal control which will ensure safeguarding of cash collections.	No	Reported again as finding 2012-004
2011-005	Ohio Administrative Code Section 117-2-02 – The Clerk of Courts should perform monthly bank reconciliations.	No	.Reported again as finding 2012-005

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CITY OF STRUTHERS

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 27, 2015**