



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 cash-basis 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, 2015, 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 audit opinions.

**Summary of Opinions**

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Sewage Disposal Fund	Qualified
Sewage Disposal Sinking Fund	Qualified
Storm Water Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

***Basis for Qualified Opinions on Business Type Activities and Major Enterprise Funds Sewage Disposal, Sewage Disposal Sinking and Storm Water***

We were unable to obtain sufficient appropriate audit evidence about the proper processing of sewer billings and receipts. Those revenues represent 24.8% of the receipts reported with the business type activities on the Statement of Activities – Cash Basis, as well as 15.8%, 59.1% and 81.6% of revenues in the Sewage Disposal, Sewage Disposal Sinking and Storm Water Funds, on the Statement of Cash Receipts, Cash Disbursements and Changes in Net Cash Position – Cash Basis - Proprietary 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, Sewage Disposal Sinking, and Storm Water Funds (enterprise funds). The service organization did not provide us with information we requested 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 Opinions***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinions on Business Type Activities and Major Enterprise Funds Sewage Disposal, Sewage Disposal Sinking and Storm Water* 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, Sewage Disposal Sinking Fund, and Storm Water Fund of the City of Struthers, Mahoning County, Ohio as of December 31, 2015, 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 Fund and the aggregate remaining fund information of the City of Struthers, Mahoning County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund 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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to the Management's Discussion & Analysis as listed in the table of contents. 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 December 19, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 19, 2016

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## CITY OF STRUTHERS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (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, 2015, 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2015 are as follows:

- The total net cash position of the City decreased \$247,785. Net cash position of governmental activities increased \$57,253, which represents a 4.03% increase from 2014. Net cash position of business-type activities decreased \$305,038, which represents a 16.40% decrease from 2014.
- General cash receipts accounted for \$4,121,696 or 72.26% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,581,915 or 27.74% of total governmental activities cash receipts.
- The City had \$5,646,358 in cash disbursements related to governmental activities; \$1,581,915 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$4,121,696 were adequate to provide for these programs.
- The City's major governmental fund is the general fund. The general fund had cash receipts of \$4,233,104 in 2015. The cash disbursements and other financing uses of the general fund totaled \$4,179,791 in 2015. The fund cash balance of the general fund increased \$53,313 from \$954,395 to \$1,007,708.
- The City's major enterprise funds are the sewage disposal fund, the sewage disposal sinking fund, and the storm water fund. Net cash position for the sewage disposal fund decreased in 2015 by \$223,337 or 23.04%. Net cash position for the sewage disposal sinking fund decreased in 2015 by \$22,076 or 4.33%. Net cash position for the storm water fund decreased in 2015 by \$59,625 or 15.68%.

#### **Using the 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 position - cash basis and the 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, the general fund is the only major governmental fund.

## **CITY OF STRUTHERS, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)**

#### **Reporting the City as a Whole**

##### ***Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis***

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the City perform financially during 2015?" 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 receipts and disbursements if the cash is actually received or paid.

These two statements report the City's net cash position and changes in net cash 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, 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 deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these basic 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 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 or a significant portion of the cash disbursements of the goods or services provided. The City's sewage disposal fund, sewage disposal sinking fund, and storm water fund are reported as business-type activities.

The statement of net 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 major governmental fund is the general fund. The analysis of the City's major governmental funds begins on page 12.

## **CITY OF STRUTHERS, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (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. 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 to 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 receipts and disbursements 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 statement for the general fund is presented to demonstrate the City's compliance with annually adopted budgets. The budgetary statement can be found on page 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 activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole. The City uses enterprise funds to account for sewage disposal operations, sewage disposal sinking fund activities, and storm water operations. 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 of this report.

#### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 27-51 of this report.

**CITY OF STRUTHERS, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)

**Government-Wide Financial Analysis**

The statement of net position - cash basis serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net cash position at December 31, 2015 and December 31, 2014.

	<b>Net Cash Position</b>					
	<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>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b><u>Assets:</u></b>						
Equity in pooled cash and cash equivalents	\$ 1,479,497	\$ 1,554,452	\$ 1,422,244	\$ 1,859,490	\$ 3,033,949	\$ 3,281,734
Total assets	<u>1,479,497</u>	<u>1,554,452</u>	<u>1,422,244</u>	<u>1,859,490</u>	<u>3,033,949</u>	<u>3,281,734</u>
<b><u>Net cash position:</u></b>						
Restricted	444,228	487,824	460,546	509,900	932,052	970,446
Unrestricted	<u>1,035,269</u>	<u>1,066,628</u>	<u>961,698</u>	<u>1,349,590</u>	<u>2,101,897</u>	<u>2,311,288</u>
Total net cash position	<u>\$ 1,479,497</u>	<u>\$ 1,554,452</u>	<u>\$ 1,422,244</u>	<u>\$ 1,859,490</u>	<u>\$ 3,033,949</u>	<u>\$ 3,281,734</u>

The total net cash position of the City decreased \$247,785. Net cash position of governmental activities increased \$57,253, which represents a 4.03% increase from 2014. Net cash position of business-type activities decreased \$305,038, which represents a 16.4% decrease from 2014.

At December 31, 2015, a portion of the City's net cash position, \$932,052, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,101,897 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, 2015  
(UNAUDITED)**

The table below shows the changes in net cash position for 2015 and 2014.

	<b>Change in Net Cash Position</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2015 Total	2014 Total
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b><u>Cash receipts:</u></b>						
Program cash receipts:						
Charges for services	\$ 541,352	\$ 2,943,901	\$ 514,701	\$ 3,055,802	\$ 3,485,253	\$ 3,570,503
Operating grants and contributions	1,040,563	108,019	698,744	193,184	1,148,582	891,928
Capital grants and contributions	-	48,300	-	8,970	48,300	8,970
Total program cash receipts	<u>1,581,915</u>	<u>3,100,220</u>	<u>1,213,445</u>	<u>3,257,956</u>	<u>4,682,135</u>	<u>4,471,401</u>
General cash receipts:						
Property and income taxes	3,777,477	-	3,463,013	-	3,777,477	3,463,013
Unrestricted grants	241,046	-	216,693	-	241,046	216,693
Loan proceeds	-	116,282	-	664,968	116,282	664,968
Investment receipts	-	57	-	42	57	42
Miscellaneous	103,173	-	149,698	-	103,173	149,698
Total general cash receipts	<u>4,121,696</u>	<u>116,339</u>	<u>3,829,404</u>	<u>665,010</u>	<u>4,238,035</u>	<u>4,494,414</u>
Total cash receipts	<u>5,703,611</u>	<u>3,216,559</u>	<u>5,042,849</u>	<u>3,922,966</u>	<u>8,920,170</u>	<u>8,965,815</u>
<b><u>Cash disbursements:</u></b>						
General government	2,015,763	-	1,934,572	-	2,015,763	1,934,572
Security of persons and property	1,835,134	-	1,789,468	-	1,835,134	1,789,468
Transportation	968,601	-	505,064	-	968,601	505,064
Public health services	35,909	-	36,618	-	35,909	36,618
Leisure time activities	62,381	-	71,688	-	62,381	71,688
Community environment	394,973	-	192,312	-	394,973	192,312
Miscellaneous	42,616	-	28,203	-	42,616	28,203
Capital outlay	290,981	-	226,462	-	290,981	226,462
Sewage disposal	-	2,910,272	-	3,345,717	2,910,272	3,345,717
Sewage disposal sinking	-	286,407	-	317,898	286,407	317,898
Storm water	-	324,918	-	118,800	324,918	118,800
Total cash disbursements	<u>5,646,358</u>	<u>3,521,597</u>	<u>4,784,387</u>	<u>3,782,415</u>	<u>9,167,955</u>	<u>8,566,802</u>
Increase in net cash position	57,253	(305,038)	258,462	140,551	(247,785)	399,013
Extraordinary item	-	-	-	264,543	-	264,543
Change in net cash position	57,253	(305,038)	258,462	405,094	(247,785)	663,556
Net cash position at beginning of year	<u>1,422,244</u>	<u>1,859,490</u>	<u>1,163,782</u>	<u>1,454,396</u>	<u>3,281,734</u>	<u>2,618,178</u>
Net cash position at end of year	<u>\$ 1,479,497</u>	<u>\$ 1,554,452</u>	<u>\$ 1,422,244</u>	<u>\$ 1,859,490</u>	<u>\$ 3,033,949</u>	<u>\$ 3,281,734</u>

## CITY OF STRUTHERS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

#### Governmental Activities

Governmental activities net cash position increased \$57,253 during 2015.

General government represents activities related to the governing body, as well as activities that directly support City programs. In 2015, general government cash disbursements totaled \$2,015,763 or 35.70% of total governmental cash disbursements. General government programs were supported by \$237,406 in direct charges to users for services and \$7,941 in operating grants and contributions.

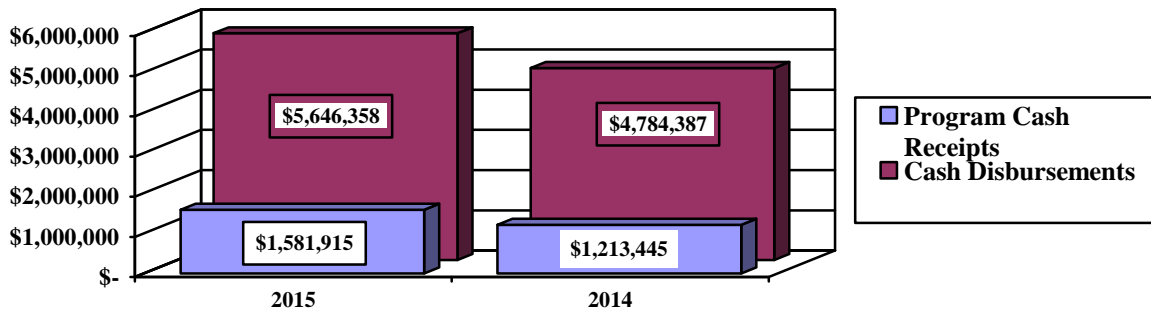
In 2015, security of persons and property cash disbursements totaled \$1,835,134 or 32.50% of total governmental cash disbursements. Security of persons and property programs were supported by \$267,546 in direct charges to users for services and \$4,188 in operating grants and contributions.

In 2015, transportation cash disbursements totaled \$968,601 or 17.15% of total governmental cash disbursements. Transportation programs were supported by \$635,410 in operating grants and contributions.

In 2015, community environment cash disbursements totaled \$394,973 or 7.00% of total governmental cash disbursements. Community environment programs were supported by \$381,801 in operating grants and contributions.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph below, the City is highly dependent upon general cash receipts (primarily property and income taxes) to support its governmental activities. Program cash receipts were sufficient to cover the remaining governmental activities cash disbursements during 2015.

**Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements**



**CITY OF STRUTHERS, OHIO**

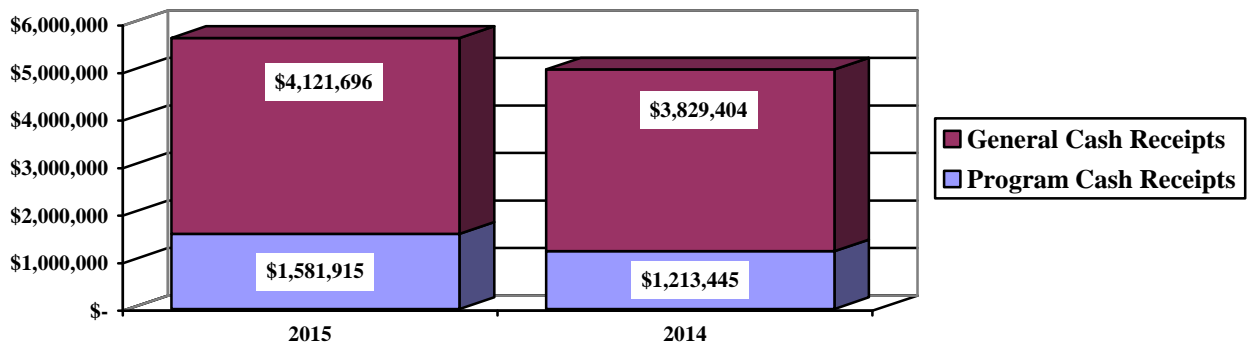
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2015 and 2014. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015	2015	2014	2014
<b>Cash disbursements:</b>				
Current:				
General government	\$ 2,015,763	\$ 1,770,416	\$ 1,934,572	\$ 1,685,708
Security of persons and property	1,835,134	1,563,400	1,789,468	1,508,238
Transportation	968,601	333,191	505,064	(13,903)
Public health services	35,909	24,701	36,618	27,291
Leisure time activities	62,381	25,981	71,688	56,088
Community environment	394,973	13,172	192,312	52,870
Miscellaneous	42,616	42,616	28,203	28,203
Revolving loans	-	(15)	-	(15)
Capital outlay	290,981	290,981	226,462	226,462
<b>Total</b>	<b>\$ 5,646,358</b>	<b>\$ 4,064,443</b>	<b>\$ 4,784,387</b>	<b>\$ 3,570,942</b>

The dependence upon general cash receipts for governmental activities is apparent, with 72.26% of cash disbursements supported through taxes and other general cash receipts. In 2015, the City began collecting property taxes on a five-year \$3 million levy for road repair and maintenance.

**Governmental Activities - General and Program Cash Receipts**



**Business-type Activities**

The sewage disposal fund, the sewage disposal sinking fund, and the storm water fund are the City's business-type activities. These programs had cash receipts of \$3,216,559 and cash disbursements of \$3,521,597 during 2015. The net cash position of the business-type activities decreased \$305,038 from 2014.

**CITY OF STRUTHERS, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds reported a combined fund cash balance of \$1,479,497, which is \$57,253 greater than last year's total of \$1,422,244. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2015 and December 31, 2014 for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2015</u>	<u>Fund Cash Balance</u> <u>December 31, 2014</u>	<u>Increase</u>
<b>Major fund:</b>			
General	\$ 1,007,708	\$ 954,395	\$ 53,313
Nonmajor governmental funds	<u>471,789</u>	<u>467,849</u>	<u>3,940</u>
<b>Total</b>	<u>\$ 1,479,497</u>	<u>\$ 1,422,244</u>	<u>\$ 57,253</u>

**General Fund**

The general fund had cash receipts and cash disbursements of \$4,233,104 and \$3,859,092, respectively, in 2015. These amounts exclude other financing sources and uses, which consisted of \$320,699 in transfers out. The fund cash balance of the general fund increased \$53,313 from 2014 to 2015.

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash receipts:</u></b>				
Taxes	\$ 3,447,235	\$ 3,411,799	\$ 35,436	1.04 %
Intergovernmental	221,614	204,823	16,791	8.20 %
Special assessments	18,965	-	18,965	100.00 %
Charges for services	4,106	3,645	461	12.65 %
License, permits and fees	438,011	447,110	(9,099)	(2.04) %
Miscellaneous	<u>103,173</u>	<u>149,698</u>	<u>(46,525)</u>	<u>(31.08) %</u>
<b>Total</b>	<u>\$ 4,233,104</u>	<u>\$ 4,217,075</u>	<u>\$ 16,029</u>	<u>0.38 %</u>

Overall cash receipts of the general fund increased \$16,029 or 0.38%. Taxes increased \$35,436 or 1.04% primarily due to an increase in the City's income tax cash receipts reported during 2015. Miscellaneous receipts decreased 46,525 due to a decrease in general refunds. All other cash receipt classifications remained comparable to the prior year.



**CITY OF STRUTHERS, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)

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

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash disbursements:</u></b>				
General government	\$ 1,962,657	\$ 1,903,417	\$ 59,240	3.11 %
Security of persons and property	1,560,942	1,532,749	28,193	1.84 %
Leisure time activities	44,512	40,598	3,914	9.64 %
Capital outlay	<u>290,981</u>	<u>220,662</u>	<u>70,319</u>	31.87 %
Total	<u>\$ 3,859,092</u>	<u>\$ 3,697,426</u>	<u>\$ 161,666</u>	4.37 %

Overall cash disbursements of the general fund increased \$161,666 or 4.37%. The City closely monitored spending and implemented cost savings when possible, so all cash disbursement classifications remained comparable to the prior year except for capital outlay disbursements which increased by \$70,319 due to an increase in various projects throughout the city.

***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, cash disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2015, the final budgetary basis receipts for the general fund were \$3,715,459, and the original budgetary basis receipts were \$3,500,596. The actual budgetary basis receipts of \$4,233,104 were greater than the final budgeted amounts by \$517,645. The original budgetary basis disbursements and other financing uses were \$4,335,803, and the final budgetary basis disbursements and other financing uses were \$4,326,903. The actual budgetary basis disbursements and other financing uses of \$4,185,245 were less than the final budgeted amounts by \$141,659.

***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 \$1,554,452, which is \$305,038 less than last year's total of \$1,859,490.

The table below indicates the net cash position and the total change in net cash position as of December 31, 2015 and December 31, 2014 for all major and nonmajor enterprise funds.

	<u>Net Cash Position</u> <u>December 31, 2015</u>	<u>Net Cash Position</u> <u>December 31, 2014</u>	<u>Increase</u>
<b>Major funds:</b>			
Sewage disposal	\$ 746,031	\$ 969,368	\$ (223,337)
Sewage disposal sinking	487,824	509,900	(22,076)
Storm water	<u>320,597</u>	<u>380,222</u>	<u>(59,625)</u>
Total	<u>\$ 1,554,452</u>	<u>\$ 1,859,490</u>	<u>\$ (305,038)</u>

## CITY OF STRUTHERS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015 (UNAUDITED)

#### *Sewage Disposal Fund*

The sewage disposal fund had operating cash receipts of \$2,570,653, operating cash disbursements of \$2,910,272, and nonoperating cash receipts of \$116,282 during 2015. The sewage disposal fund's net cash position decreased \$223,337 during 2015 from \$969,368 to \$746,031.

#### *Sewage Disposal Sinking Fund*

The sewage disposal sinking fund had operating cash receipts of \$156,255, nonoperating cash receipts of \$108,076, and nonoperating cash disbursements of \$286,407 during 2015. The sewage disposal sinking fund's net cash position decreased \$22,076 during 2015 from \$509,900 to \$487,824.

#### *Storm Water Fund*

The storm water fund had operating cash receipts of \$216,993, operating cash disbursements of \$324,918, and nonoperating cash receipts of \$48,300 during 2015. The storm water fund's net cash position decreased \$59,625 during 2015 from \$380,222 to \$320,597.

### **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 cash disbursements. The City had capital outlay cash disbursements of \$1,102,276 (both governmental activities and business-type activities) during 2015.

#### *Debt Administration*

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

In the governmental activities, the City had capital lease obligations in the amount of \$93,477 outstanding at December 31, 2015.

In the business-type activities, the City had Ohio Water Development Authority (OWDA) loans and Ohio Public Works Commission (OPWC) loans outstanding at December 31, 2015. These loans are being repaid from resources of the enterprise operations. Principal payments in 2015 were \$231,138 related to these obligations. The balances of the OWDA loans and the OPWC loans at December 31, 2015 were \$2,378,191 and \$563,906, respectively.

See Notes 5 and 6 to the basic financial statements for more detail on the City's long-term 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 2015:

The City is located in Mahoning County, Ohio, which currently has an unemployment rate of 5.6%. Mahoning County's unemployment rate is currently higher than the national average of 4.9% and the State average of 4.6%.

**CITY OF STRUTHERS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(UNAUDITED)**

The City's budgeted cash receipts and other financing sources in the general fund for 2016 total \$3,670,079, which is the main consideration in determining the City's annual appropriations for 2016. The City has continued to exercise conservative budgetary practices in order to preserve a positive financial position for future years.

**Contacting the City's Financial Management**

This financial report is designed to provide the 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  
DECEMBER 31, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,479,497	\$ 1,554,452	\$ 3,033,949
Total assets. . . . .	<u>\$ 1,479,497</u>	<u>\$ 1,554,452</u>	<u>\$ 3,033,949</u>
<b>Net cash position:</b>			
Restricted for:			
General government operations . . . . .	\$ 61,409	\$ -	\$ 61,409
Security of persons and property programs . . . . .	65,273	-	65,273
Transportation projects . . . . .	167,319	-	167,319
Public health services . . . . .	2,984	-	2,984
Community environment projects . . . . .	27,255	-	27,255
Revolving loan program. . . . .	118,117	-	118,117
Debt service . . . . .	1,871	487,824	489,695
Unrestricted. . . . .	<u>1,035,269</u>	<u>1,066,628</u>	<u>2,101,897</u>
Total net cash position . . . . .	<u>\$ 1,479,497</u>	<u>\$ 1,554,452</u>	<u>\$ 3,033,949</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STRUTHERS, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Current:				
General government . . . . .	\$ 2,015,763	\$ 237,406	\$ 7,941	\$ -
Security of persons and property.	1,835,134	267,546	4,188	-
Transportation . . . . .	968,601	-	635,410	-
Public health services. . . . .	35,909	-	11,208	-
Leisure time activities . . . . .	62,381	36,400	-	-
Community environment . . . . .	394,973	-	381,801	-
Miscellaneous . . . . .	42,616	-	-	-
Revolving loans. . . . .	-	-	15	-
Capital outlay. . . . .	290,981	-	-	-
Total governmental activities . . . . .	<u>5,646,358</u>	<u>541,352</u>	<u>1,040,563</u>	<u>-</u>
<b>Business-type activities:</b>				
Sewage disposal . . . . .	2,910,272	2,570,653	-	-
Sewage disposal sinking. . . . .	286,407	156,255	108,019	-
Storm water . . . . .	324,918	216,993	-	48,300
Total business-type activities . . . . .	<u>3,521,597</u>	<u>2,943,901</u>	<u>108,019</u>	<u>48,300</u>
Totals. . . . .	<u>\$ 9,167,955</u>	<u>\$ 3,485,253</u>	<u>\$ 1,148,582</u>	<u>\$ 48,300</u>

**General cash receipts:**

Property and income taxes for:

- General purposes . . . . .
- Transportation 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 Receipts (Cash Disbursements)  
and Changes in Net Cash Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,770,416)	\$ -	\$ (1,770,416)
(1,563,400)	-	(1,563,400)
(333,191)	-	(333,191)
(24,701)	-	(24,701)
(25,981)	-	(25,981)
(13,172)	-	(13,172)
(42,616)	-	(42,616)
15	-	15
(290,981)	-	(290,981)
<u>(4,064,443)</u>	<u>-</u>	<u>(4,064,443)</u>
-	(339,619)	(339,619)
-	(22,133)	(22,133)
-	(59,625)	(59,625)
<u>-</u>	<u>(421,377)</u>	<u>(421,377)</u>
<u>(4,064,443)</u>	<u>(421,377)</u>	<u>(4,485,820)</u>
3,447,235	-	3,447,235
279,734	-	279,734
25,254	-	25,254
25,254	-	25,254
241,046	-	241,046
-	116,282	116,282
-	57	57
103,173	-	103,173
<u>4,121,696</u>	<u>116,339</u>	<u>4,238,035</u>
57,253	(305,038)	(247,785)
<u>1,422,244</u>	<u>1,859,490</u>	<u>3,281,734</u>
<u>\$ 1,479,497</u>	<u>\$ 1,554,452</u>	<u>\$ 3,033,949</u>

**CITY OF STRUTHERS, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,007,708	\$ 471,789	\$ 1,479,497
Total assets . . . . .	<u>\$ 1,007,708</u>	<u>\$ 471,789</u>	<u>\$ 1,479,497</u>
<b>Fund cash balances:</b>			
Restricted:			
General government operations . . . . .	\$ -	\$ 61,409	\$ 61,409
Security of persons and property programs . . . . .	-	65,273	65,273
Transportation projects . . . . .	-	167,319	167,319
Public health services . . . . .	-	2,984	2,984
Community environment projects . . . . .	-	27,255	27,255
Revolving loan program. . . . .	-	118,117	118,117
Debt service . . . . .	-	1,871	1,871
Committed:			
Transportation projects . . . . .	-	5,154	5,154
Leisure time activities . . . . .	-	22,407	22,407
Underground storage tanks . . . . .	11,000	-	11,000
Assigned:			
Encumbrances - general government . . . . .	2,899	-	2,899
Encumbrances - security of persons and property . . . . .	2,554	-	2,554
Unassigned . . . . .	<u>991,255</u>	<u>-</u>	<u>991,255</u>
Total fund cash balances . . . . .	<u>\$ 1,007,708</u>	<u>\$ 471,789</u>	<u>\$ 1,479,497</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF STRUTHERS, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
 FUND CASH BALANCES - CASH BASIS  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>			
Taxes . . . . .	\$ 3,447,235	\$ 330,242	\$ 3,777,477
Intergovernmental . . . . .	221,614	1,035,722	1,257,336
Special assessments . . . . .	18,965	-	18,965
Charges for services . . . . .	4,106	69,561	73,667
License, permits and fees . . . . .	438,011	10,709	448,720
Investment receipts . . . . .	-	15	15
Miscellaneous . . . . .	103,173	24,258	127,431
Total cash receipts . . . . .	<u>4,233,104</u>	<u>1,470,507</u>	<u>5,703,611</u>
<b>Cash disbursements:</b>			
Current:			
General government . . . . .	1,962,657	53,106	2,015,763
Security of persons and property . . . . .	1,560,942	274,192	1,835,134
Transportation . . . . .	-	968,601	968,601
Public health services . . . . .	-	35,909	35,909
Leisure time activities . . . . .	44,512	17,869	62,381
Community environment . . . . .	-	394,973	394,973
Miscellaneous . . . . .	-	42,616	42,616
Capital outlay . . . . .	290,981	-	290,981
Total cash disbursements . . . . .	<u>3,859,092</u>	<u>1,787,266</u>	<u>5,646,358</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>374,012</u>	<u>(316,759)</u>	<u>57,253</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	320,699	320,699
Transfers (out) . . . . .	(320,699)	-	(320,699)
Total other financing sources (uses) . . . . .	<u>(320,699)</u>	<u>320,699</u>	<u>-</u>
Net change in fund cash balances . . . . .	53,313	3,940	57,253
<b>Fund cash balances</b>			
at beginning of year . . . . .	<u>954,395</u>	<u>467,849</u>	<u>1,422,244</u>
Fund cash balances at end of year . . . . .	<u>\$ 1,007,708</u>	<u>\$ 471,789</u>	<u>\$ 1,479,497</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
Taxes . . . . .	\$ 2,850,716	\$ 3,025,690	\$ 3,447,235	\$ 421,545
Intergovernmental . . . . .	183,265	194,514	221,614	27,100
Special assessments . . . . .	15,683	16,646	18,965	2,319
Charges for services . . . . .	3,396	3,604	4,106	502
License, permits and fees . . . . .	362,216	384,449	438,011	53,562
Miscellaneous . . . . .	85,320	90,556	103,173	12,617
Total budgetary basis receipts . . . . .	<u>3,500,596</u>	<u>3,715,459</u>	<u>4,233,104</u>	<u>517,645</u>
<b>Budgetary basis disbursements:</b>				
Current:				
General government . . . . .	2,041,621	2,041,621	1,965,557	76,064
Security of persons and property . . . . .	1,588,264	1,579,264	1,563,496	15,768
Leisure time activities . . . . .	45,000	45,100	44,512	588
Capital outlay . . . . .	307,500	307,500	290,981	16,519
Total budgetary basis disbursements . . . . .	<u>3,982,385</u>	<u>3,973,485</u>	<u>3,864,546</u>	<u>108,939</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(481,789)</u>	<u>(258,026)</u>	<u>368,558</u>	<u>626,584</u>
<b>Other financing (uses):</b>				
Transfers (out) . . . . .	<u>(353,418)</u>	<u>(353,418)</u>	<u>(320,699)</u>	<u>32,719</u>
Total other financing (uses) . . . . .	<u>(353,418)</u>	<u>(353,418)</u>	<u>(320,699)</u>	<u>32,719</u>
Net change in fund cash balances . . . . .	(835,207)	(611,444)	47,859	659,303
<b>Fund cash balance at beginning of year . . . .</b>	912,231	912,231	912,231	-
<b>Prior year encumbrances appropriated . . . .</b>	31,165	31,165	31,165	-
<b>Fund cash balance at end of year . . . . .</b>	<u>\$ 108,189</u>	<u>\$ 331,952</u>	<u>\$ 991,255</u>	<u>\$ 659,303</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STRUTHERS, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2015

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewage Disposal</b>	<b>Sewage Disposal Sinking</b>	<b>Storm Water</b>	<b>Total</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . .	\$ 746,031	\$ 487,824	\$ 320,597	\$ 1,554,452
<b>Total assets . . . . .</b>	<b>\$ 746,031</b>	<b>\$ 487,824</b>	<b>\$ 320,597</b>	<b>\$ 1,554,452</b>
<b>Net cash position:</b>				
Restricted for debt service. . . . .	\$ -	\$ 487,824	\$ -	\$ 487,824
Unrestricted . . . . .	746,031	-	320,597	1,066,628
<b>Total net cash position . . . . .</b>	<b>\$ 746,031</b>	<b>\$ 487,824</b>	<b>\$ 320,597</b>	<b>\$ 1,554,452</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STRUTHERS, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN NET CASH POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewage Disposal</b>	<b>Sewage Disposal Sinking</b>	<b>Storm Water</b>	<b>Total</b>
<b>Operating receipts:</b>				
Charges for services . . . . .	\$ 2,019,892	\$ 156,255	\$ 216,993	\$ 2,393,140
Tap-in fees . . . . .	519,498	-	-	519,498
Other . . . . .	31,263	-	-	31,263
<b>Total operating receipts . . . . .</b>	<b>2,570,653</b>	<b>156,255</b>	<b>216,993</b>	<b>2,943,901</b>
<b>Operating disbursements:</b>				
Personal services . . . . .	1,253,087	-	26,361	1,279,448
Materials and supplies . . . . .	1,118,338	-	26,109	1,144,447
Capital outlay . . . . .	538,847	-	272,448	811,295
<b>Total operating disbursements . . . . .</b>	<b>2,910,272</b>	<b>-</b>	<b>324,918</b>	<b>3,235,190</b>
<b>Operating income (loss) . . . . .</b>	<b>(339,619)</b>	<b>156,255</b>	<b>(107,925)</b>	<b>(291,289)</b>
<b>Nonoperating receipts (disbursements):</b>				
Investment receipts . . . . .	-	57	-	57
Loan proceeds . . . . .	116,282	-	-	116,282
Grants . . . . .	-	108,019	48,300	156,319
Principal retirement . . . . .	-	(231,138)	-	(231,138)
Interest and fiscal charges . . . . .	-	(55,269)	-	(55,269)
<b>Total nonoperating receipts (disbursements) . . . . .</b>	<b>116,282</b>	<b>(178,331)</b>	<b>48,300</b>	<b>(13,749)</b>
<b>Change in net cash position . . . . .</b>	<b>(223,337)</b>	<b>(22,076)</b>	<b>(59,625)</b>	<b>(305,038)</b>
<b>Net cash position at beginning of year . . . . .</b>	<b>969,368</b>	<b>509,900</b>	<b>380,222</b>	<b>1,859,490</b>
<b>Net cash position at end of year . . . . .</b>	<b>\$ 746,031</b>	<b>\$ 487,824</b>	<b>\$ 320,597</b>	<b>\$ 1,554,452</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STRUTHERS, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
AGENCY FUND  
DECEMBER 31, 2015

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 253,724
Total assets . . . . .	<u>\$ 253,724</u>
<b>Net cash position:</b>	
Unrestricted . . . . .	\$ 253,724
Total net cash position . . . . .	<u>\$ 253,724</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, 2015

#### NOTE 1 - DESCRIPTION OF THE CITY

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 Struthers City School District is a separate governmental entity, so its financial operations are not included in the City's basic financial statements.

The City's management believes the basic 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 basic 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 basic financial statements contain items that are the same as, or similar to, those items in the basic financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The following are the more significant of the City's accounting policies:

##### A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". For financial reporting purposes, the City's basic financial statements 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 governing 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 - cash basis and a statement of activities - cash basis, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the City as a whole, except for fiduciary funds. These statements distinguish 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, 2015**

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

The government-wide statement of net position - cash basis presents the cash balances of the governmental and business-type activities of the City at year end. 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.

The financial statements for governmental funds are a statement of assets and fund cash balances - cash basis, and a statement of cash receipts, cash disbursements and changes in fund cash balances - cash basis, which reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of the current financial resources.

The financial statements of proprietary funds are a statement of net position - cash basis, and a statement of cash receipts, cash disbursements and changes in net cash position - cash basis, which presents increases (i.e., receipts) and decreases (i.e., disbursements) in net cash position.

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 personnel disbursements related to sewage disposal, sewage disposal sinking, and storm water operations. 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* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.



**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Other governmental funds of the City are used to account for (a) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects and (b) financial resources that are restricted to disbursement for principal and interest.

***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 City has no internal service funds, but does report the operations of various enterprise funds.

*Enterprise funds* - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. 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 cash position and changes in net cash 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's only fiduciary fund is an agency fund. The agency fund accounts for fire recovery, indigent driver, VIP, and municipal courts operations.

**D. Basis of Accounting**

The basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The City's basic 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 basic financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when 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 deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these basic 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, 2015**

**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 disbursements 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 line item 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 statement 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 statement reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations ordinance was 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 appropriations 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 appropriations 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 basic financial statements. Investment receipts are allocated as authorized by State statute.

During 2015, 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 investment receipts credited to the general fund during 2015.

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 basic 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**

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

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**H. Unpaid Vacation Leave and Sick Leave**

Employees are entitled to cash payments for unused vacation leave and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave and sick leave are not reflected as liabilities under the basis of accounting utilized by the City (See Note 2.D.).

**I. Long-term Obligations**

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

**J. Net Cash Position**

Net cash position is reported as restricted when there are limitations imposed on its 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 disbursements 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. Inventories of Materials and Supplies and Prepaid Items**

The City reports disbursements for inventories of materials and supplies and prepaid items when paid. These items are not reflected as assets in the accompanying basic 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 basic financial statements. The City did not report any advances in or advances out during 2015.

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

**O. Fund Cash Balance**

Fund cash 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 cash 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 cash 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 cash 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 cash 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 cash 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 cash 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 cash 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 cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when disbursements occur for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements occur for purposes for which amounts in any of the unrestricted fund cash 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. The City did not report any extraordinary and special items during 2015.

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**Q. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2015, the City has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the City's pension plan disclosures, as presented in Note 9 to the financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 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 basic 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 basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net 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.

**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.

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 City 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, 2015, the carrying amount of all City deposits was \$3,223,143. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$2,962,186 of the City's bank balance of \$3,212,186 was exposed to custodial credit risk as discussed below, while \$250,000 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, 2015, the City had the following investment and maturity:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturity 6 Months or Less</u>
No-load money market mutual fund	\$ 64,530	\$ 64,530

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, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

*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 credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City 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, 2015:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
No-load money market mutual fund	\$ 64,530	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 preceding note to cash and investments as reported on the statement of net position - cash basis as of December 31, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,223,143
Investments	<u>64,530</u>
Total	<u>\$ 3,287,673</u>

<u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 1,479,497
Business-type activities	1,554,452
Agency fund	<u>253,724</u>
Total	<u>\$ 3,287,673</u>

**NOTE 5 - LESSEE DISCLOSURE - LEASES**

In prior years, the City entered into lease agreements for three police vehicles, a 2015 International TerraStar truck, a 2009 International 7400 truck and new copier equipment. The principal and interest payments made on these leases during 2015 are included as function cash disbursements in the basic financial statements of the governmental activities.



**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 5 - LESSEE DISCLOSURE - LEASES - (Continued)**

Principal and interest payments in 2015 totaled \$53,359 and \$7,100, respectively. Future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2016	\$ 60,459
2017	21,030
2018	17,821
2019	<u>196</u>
Total minimum lease payments	99,506
Less: amount representing interest	<u>(6,029)</u>
Present value of future minimum lease payments	<u>\$ 93,477</u>

**NOTE 6 - DEBT OBLIGATIONS**

At December 31, 2015, debt obligations consisted of the following:

Enterprise funds:

Ohio Public Works Commission (OPWC) Loans:

Principal outstanding	\$ 563,906
Interest rate	0.00%

Ohio Water Development Authority (OWDA) Loans:

Principal outstanding	\$ 2,378,191
Interest rate	0.20% - 5.45%

The City's debt obligations activity for the year ended December 31, 2015 was as follows:

	<u>Balance 12/31/14</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 12/31/15</u>	<u>Amounts Due in One Year</u>
<u>Business-type activities:</u>					
OPWC loans	\$ 616,462	\$ -	\$ (52,556)	\$ 563,906	\$ 47,613
OWDA loans	<u>2,440,491</u>	<u>116,282</u>	<u>(178,582)</u>	<u>2,378,191</u>	<u>80,646</u>
Total	<u>\$ 3,056,953</u>	<u>\$ 116,282</u>	<u>\$ (231,138)</u>	<u>\$ 2,942,097</u>	<u>\$ 128,259</u>

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 6 - DEBT OBLIGATIONS - (Continued)**

The City has five 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 Loans		
	Principal	Interest	Total
2016	\$ 47,613	\$ -	\$ 47,613
2017	47,614	-	47,614
2018	47,612	-	47,612
2019	47,614	-	47,614
2020	20,548	-	20,548
2021 - 2025	102,741	-	102,741
2026 - 2030	102,740	-	102,740
2031 - 2035	84,216	-	84,216
2036 - 2040	61,333	-	61,333
2041	<u>1,875</u>	<u>-</u>	<u>1,875</u>
Totals	<u>\$ 563,906</u>	<u>\$ -</u>	<u>\$ 563,906</u>

The City has seven OWDA loans for wastewater treatment plant improvements and construction and rehabilitation to sanitary sewers. Receipts of the utility facilities have been pledged to repay these loans.

Should the utility facilities have insufficient receipts to repay these loans, they are secured by the full faith, credit, and resources of the City. Four OWDA loans were not closed as of year end and are not presented in the future debt service requirements table below. The principal balance of the open OWDA loans was \$2,378,191 at December 31, 2015. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2016	\$ 80,646	\$ 48,606	\$ 129,252
2017	83,689	45,564	129,253
2018	86,863	42,389	129,252
2019	90,175	39,076	129,251
2020	93,634	35,620	129,254
2021 - 2025	507,032	120,773	627,805
2026 - 2029	<u>275,547</u>	<u>23,454</u>	<u>299,001</u>
Totals	<u>\$ 1,217,586</u>	<u>\$ 355,482</u>	<u>\$ 1,573,068</u>

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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 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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Struthers. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes, and other outstanding delinquencies which are measurable as of December 31, 2015 and for which there is an enforceable legal claim. For 2015, the City's basic financial statements are presented on the cash basis of accounting and therefore the City does not record a receivable for property taxes either on a modified accrual or full accrual basis of accounting.

The full tax rate for all City operations for the year ended December 31, 2015 was \$7.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$	87,447,090
Commercial/industrial/mineral		13,522,320
Public utility personal property		<u>5,898,440</u>
Total assessed value	\$	<u>106,867,850</u>

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

#### **NOTE 8 - LOCAL INCOME TAX**

The City levies and collects an income tax of two 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 2015, the income tax was received in the general fund.

#### **NOTE 9 - DEFINED BENEFIT PENSION PLANS**

##### *Net Pension Liability*

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - Ohio Public Employees Retirement System***

Plan Description - City employees participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$225,010 for year 2015.

***Plan Description - Ohio Police & Fire Pension Fund***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$259,479 or 2015.

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Net Pension Liability*

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&amp;F Police</u>	<u>OP&amp;F Fire</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,984,416	\$1,749,199	\$1,270,824	\$5,004,439
Proportion of the Net Pension Liability	0.016453%	0.0337656%	0.0245313%	

*Actuarial Assumptions - OPERS*

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.



**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.28 %</b>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$3,650,756	\$1,984,416	\$580,955

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions – OPF*

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease <u>(7.25%)</u>	Current Discount Rate <u>(8.25%)</u>	1% Increase <u>(9.25%)</u>
City's proportionate share of the net pension liability	\$4,177,148	\$3,020,023	\$2,040,289

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

#### NOTE 10 - POSTRETIREMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement System

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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 postemployment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. 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. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employees contributed at a rate of 10% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employers units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2% during calendar year 2015.

The OPERS Board of Trustees 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. The City's contributions allocated to post-employment health care for the years ended December 31, 2015, 2014, and 2013 were \$37,515, \$40,355 and \$17,698, respectively.

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

#### NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

##### **B. Ohio Police and Fire Pension Fund**

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 health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

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

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

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

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 2015, the portion of employer contributions allocated to health care was 0.50% 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 health care benefits for police officers and firefighters were \$4,069 and \$2,231 for the year ended December 31, 2015, \$3,731 and \$2,200 for the year ended December 31, 2014, and \$25,695 and \$16,089, for the year ended December 31, 2013.

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**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 Cigna. Medical premiums were \$1,487.97 for family coverage, \$1,059.46 for employee spouse coverage, \$813.63 for employee child coverage, and \$482.01 for single coverage. Dental premiums were \$56.00 for all coverage types. 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 16.92% of the family coverage total each month and the City pays the remainder.

**B. Workers' Compensation**

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

**C. Comprehensive**

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, 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 have not been any significant reductions in coverage from the prior year.

**NOTE 12 - CONTINGENCIES**

**A. Federal and State Grants**

The City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for disbursements disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**B. Litigation**

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

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 13 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	\$ <u>320,699</u>
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Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse 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 receipts 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 in the 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 differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a component of fund cash balance (cash basis), and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). At December 31, 2015, the encumbrances outstanding at year end (budgetary basis) amounted to \$5,453 for the general fund. At December 31, 2015, funds included as part of the general fund (cash basis) had a total fund cash balance of \$11,000.

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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 cash-basis 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, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2016, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles. We also qualified our opinion on the Business Type Activities, Sewage Disposal, Sewage Disposal Sinking, and Storm Water Funds because of a restriction on the scope of charges for services receipts.

### 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 opinions 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

### ***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  
Columbus, Ohio

December 19, 2016

**CITY OF STRUTHERS  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2015-001</b>
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**Noncompliance Citation – Filing GAAP Financial Statements**

**Ohio Rev. 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 Admin. Code Section§ 117-2-03 (B)** requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For 2015, 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 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.

We recommend the City prepare its financial statements in accordance with GAAP.

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

<b>Finding Number</b>	<b>2015-002</b>
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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.

**Finding Number - 2015-002  
(Continued)**

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 \$797,912 in 2015 in utility receipts for the City.) We were therefore unable to satisfy ourselves as to the proper processing of sewer bills and collections.

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

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

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

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

**Officials' Response:** The City 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.

**CITY OF STRUTHERS  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Ohio Administrative Code Section 117-2-03 (B) – The City does not report on GAAP.	No	Reported again as finding 2015-001.
2014-002	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 2015-002.
2014-003	Ohio Administrative Code Section 117-2-02 – The Clerk of Courts should perform monthly bank reconciliations.	No	Partially corrected-moved to management letter in 2015.

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# Dave Yost • Auditor of State

**CITY OF STRUTHERS**

**MAHONING COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 10, 2017**