



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, 2014, 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 21% of the receipts reported with the business type activities on the Statement of Activities – Cash Basis, as well as 14%, 45% and 95% 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, 2014, 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, 2014, 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 October 20, 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

October 20, 2016

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## CITY OF STRUTHERS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 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, 2014, 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 2014 are as follows:

- The total net cash position of the City increased \$663,556. Net cash position of governmental activities increased \$258,462, which represents a 22.21% increase from 2013. Net cash position of business-type activities increased \$405,094, which represents a 27.85% increase from 2013.
- General cash receipts accounted for \$3,829,404 or 75.94% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,213,445 or 24.06% of total governmental activities cash receipts.
- The City had \$4,784,387 in cash disbursements related to governmental activities; \$1,213,445 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$3,829,404 were adequate to provide for these programs.
- The City's major governmental fund is the general fund. The general fund had cash receipts of \$4,217,075 in 2014. The cash disbursements and other financing uses of the general fund totaled \$3,981,966 in 2014. The fund cash balance of the general fund increased \$235,109 from \$719,286 to \$954,395.
- 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 increased in 2014 by \$248,425 or 34.46%. Net cash position for the sewage disposal sinking fund increased in 2014 by \$30,405 or 6.34%. Net cash position for the storm water fund increased in 2014 by \$126,264 or 49.72%.

#### **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, 2014 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 2014?" 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, 2014 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 27-45 of this report.

**CITY OF STRUTHERS, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
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, 2014 and December 31, 2013.

	<b>Net Cash Position</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b><u>Assets:</u></b>						
Equity in pooled cash and cash equivalents	\$ 1,422,244	\$ 1,859,490	\$ 1,163,782	\$ 1,454,396	\$ 3,281,734	\$ 2,618,178
Total assets	<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>
<b><u>Net cash position:</u></b>						
Restricted	460,546	509,900	412,928	479,495	970,446	892,423
Unrestricted	<u>961,698</u>	<u>1,349,590</u>	<u>750,854</u>	<u>974,901</u>	<u>2,311,288</u>	<u>1,725,755</u>
Total net cash position	<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>

The total net cash position of the City increased \$663,556. Net cash position of governmental activities increased \$258,462, which represents a 22.21% increase from 2013. Net cash position of business-type activities increased \$405,094, which represents a 27.85% increase from 2013.

At December 31, 2014, a portion of the City's net cash position, \$970,446, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,311,288 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, 2014  
UNAUDITED**

The table below shows the changes in net cash position for 2014 and 2013.

	<b>Change in Net Cash Position</b>					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2014 Total	2013 Total
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Cash receipts:</b>						
Program cash receipts:						
Charges for services	\$ 514,701	\$ 3,055,802	\$ 663,716	\$ 3,138,887	\$ 3,570,503	\$ 3,802,603
Operating grants and contributions	698,744	193,184	1,132,271	299,616	891,928	1,431,887
Capital grants and contributions	-	8,970	-	89,641	8,970	89,641
Total program cash receipts	<u>1,213,445</u>	<u>3,257,956</u>	<u>1,795,987</u>	<u>3,528,144</u>	<u>4,471,401</u>	<u>5,324,131</u>
General cash receipts:						
Property and income taxes	3,463,013	-	3,294,616	-	3,463,013	3,294,616
Unrestricted grants	216,693	-	219,081	-	216,693	219,081
Loan proceeds	-	664,968	-	577,036	664,968	577,036
Investment receipts	-	42	-	67	42	67
Miscellaneous	<u>149,698</u>	<u>-</u>	<u>150,330</u>	<u>-</u>	<u>149,698</u>	<u>150,330</u>
Total general cash receipts	<u>3,829,404</u>	<u>665,010</u>	<u>3,664,027</u>	<u>577,103</u>	<u>4,494,414</u>	<u>4,241,130</u>
Total cash receipts	<u>5,042,849</u>	<u>3,922,966</u>	<u>5,460,014</u>	<u>4,105,247</u>	<u>8,965,815</u>	<u>9,565,261</u>
<b>Cash disbursements:</b>						
General government	1,934,572	-	2,003,151	-	1,934,572	2,003,151
Security of persons and property	1,789,468	-	1,759,661	-	1,789,468	1,759,661
Transportation	505,064	-	535,168	-	505,064	535,168
Public health services	36,618	-	32,595	-	36,618	32,595
Leisure time activities	71,688	-	36,414	-	71,688	36,414
Community environment	192,312	-	439,063	-	192,312	439,063
Miscellaneous	28,203	-	1,292	-	28,203	1,292
Capital outlay	226,462	-	216,901	-	226,462	216,901
Sewage disposal	-	3,345,717	-	2,939,985	3,345,717	2,939,985
Sewage disposal sinking	-	317,898	-	658,391	317,898	658,391
Storm water	<u>-</u>	<u>118,800</u>	<u>-</u>	<u>142,885</u>	<u>118,800</u>	<u>142,885</u>
Total cash disbursements	<u>4,784,387</u>	<u>3,782,415</u>	<u>5,024,245</u>	<u>3,741,261</u>	<u>8,566,802</u>	<u>8,765,506</u>
Increase in net cash position	258,462	140,551	435,769	363,986	399,013	799,755
Extraordinary item	<u>-</u>	<u>264,543</u>	<u>-</u>	<u>-</u>	<u>264,543</u>	<u>-</u>
Change in net cash position	258,462	405,094	435,769	363,986	663,556	799,755
Net cash position at beginning of year	<u>1,163,782</u>	<u>1,454,396</u>	<u>728,013</u>	<u>1,090,410</u>	<u>2,618,178</u>	<u>1,818,423</u>
Net cash position at end 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>

## CITY OF STRUTHERS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 UNAUDITED

#### Governmental Activities

Governmental activities net cash position increased \$258,462 during 2014.

General government represents activities related to the governing body, as well as activities that directly support City programs. In 2014, general government cash disbursements totaled \$1,934,572 or 40.44% of total governmental cash disbursements. General government programs were supported by \$223,416 in direct charges to users for services and \$25,448 in operating grants and contributions.

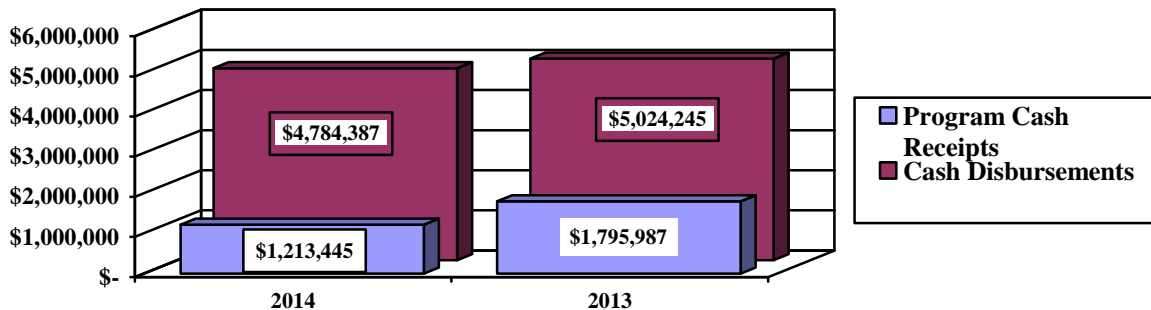
In 2014, security of persons and property cash disbursements totaled \$1,789,468 or 37.40% of total governmental cash disbursements. Security of persons and property programs were supported by \$275,685 in direct charges to users for services and \$5,545 in operating grants and contributions.

In 2014, transportation cash disbursements totaled \$505,064 or 10.56% of total governmental cash disbursements. Transportation programs were supported by \$518,967 in operating grants and contributions.

In 2014, community environment cash disbursements totaled \$192,312 or 4.02% of total governmental cash disbursements. Community environment programs were supported by \$139,442 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 2014.

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



**CITY OF STRUTHERS, OHIO**

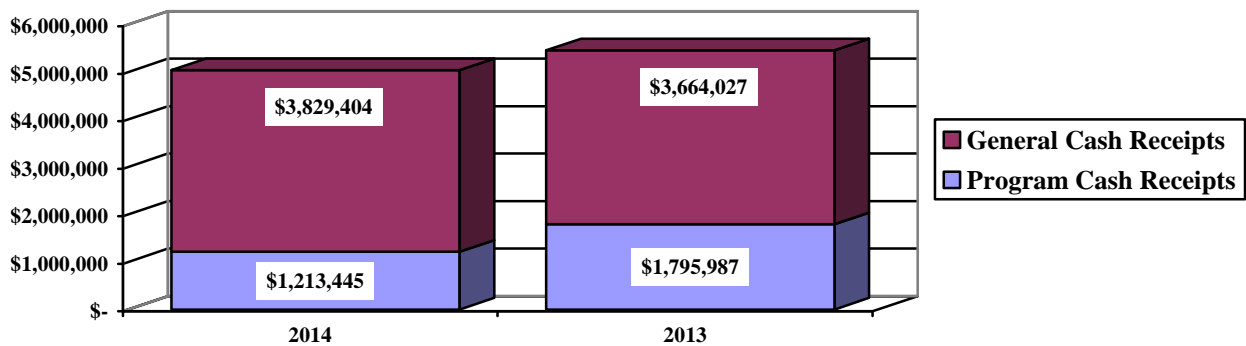
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
UNAUDITED

The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2014 and 2013. 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
	2014	2014	2013	2013
<b>Cash disbursements:</b>				
Current:				
General government	\$ 1,934,572	\$ 1,685,708	\$ 2,003,151	\$ 1,693,764
Security of persons and property	1,789,468	1,508,238	1,759,661	1,460,167
Transportation	505,064	(13,903)	535,168	34,866
Public health services	36,618	27,291	32,595	14,750
Leisure time activities	71,688	56,088	36,414	19,964
Community environment	192,312	52,870	439,063	(75,571)
Miscellaneous	28,203	28,203	1,292	1,292
Revolving loans	-	(15)	-	(137,875)
Capital outlay	226,462	226,462	216,901	216,901
<b>Total</b>	<b>\$ 4,784,387</b>	<b>\$ 3,570,942</b>	<b>\$ 5,024,245</b>	<b>\$ 3,228,258</b>

The dependence upon general cash receipts for governmental activities is apparent, with 74.64% of cash disbursements supported through taxes and other general cash receipts.

**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 \$4,187,509 and cash disbursements of \$3,782,415 during 2014. The net cash position of the business-type activities increased \$405,094 from 2013.

**CITY OF STRUTHERS, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
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 \$1,422,244, which is \$258,462 greater than last year's total of \$1,163,782. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2014 and December 31, 2013 for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2014</u>	<u>Fund Cash Balance</u> <u>December 31, 2013</u>	<u>Increase</u>
<b>Major fund:</b>			
General	\$ 954,395	\$ 719,286	\$ 235,109
Nonmajor governmental funds	<u>467,849</u>	<u>444,496</u>	<u>23,353</u>
<b>Total</b>	<u>\$ 1,422,244</u>	<u>\$ 1,163,782</u>	<u>\$ 258,462</u>

**General Fund**

The general fund had cash receipts and cash disbursements of \$4,217,075 and \$3,697,426, respectively, in 2014. These amounts exclude other financing sources and uses, which consisted of \$284,540 in transfers out. The fund cash balance of the general fund increased \$235,109 from 2013 to 2014.

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b>Cash receipts:</b>				
Taxes	\$ 3,411,799	\$ 3,243,384	\$ 168,415	5.19 %
Intergovernmental	204,823	207,207	(2,384)	(1.15) %
Charges for services	3,645	5,669	(2,024)	(35.70) %
License, permits and fees	447,110	474,055	(26,945)	(5.68) %
Miscellaneous	<u>149,698</u>	<u>150,330</u>	<u>(632)</u>	<u>(0.42) %</u>
<b>Total</b>	<u>\$ 4,217,075</u>	<u>\$ 4,080,645</u>	<u>\$ 136,430</u>	3.34 %

Overall cash receipts of the general fund increased \$136,430 or 3.34%. Taxes increased \$168,415 or 5.19% primarily due to an increase in the City's income tax cash receipts reported during 2014. 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, 2014  
UNAUDITED

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash disbursements:</u></b>				
General government	\$ 1,903,417	\$ 1,898,874	\$ 4,543	0.24 %
Security of persons and property	1,532,749	1,469,517	63,232	4.30 %
Leisure time activities	40,598	31,275	9,323	29.81 %
Capital outlay	<u>220,662</u>	<u>216,901</u>	<u>3,761</u>	1.73 %
Total	<u>\$ 3,697,426</u>	<u>\$ 3,616,567</u>	<u>\$ 80,859</u>	2.24 %

Overall cash disbursements of the general fund increased \$80,859 or 2.24%. The City closely monitored spending and implemented cost savings when possible, so all cash disbursement classifications remained comparable to the prior year.

***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 2014, the final budgetary basis receipts for the general fund were \$3,726,028, and the original budgetary basis receipts were \$3,724,881. The actual budgetary basis receipts of \$4,217,075 were greater than the final budgeted amounts by \$491,047. The original budgetary basis disbursements and other financing uses were \$4,235,807, and the final budgetary basis disbursements and other financing uses were \$4,132,400. The actual budgetary basis disbursements and other financing uses of \$4,024,130 were less than the final budgeted amounts by \$108,270.

***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 \$1,859,490, which is \$405,094 greater than last year's total of \$1,454,396.

The table below indicates the net cash position and the total change in net cash position as of December 31, 2014 and December 31, 2013 for all major and nonmajor enterprise funds.

	<u>Net Cash Position</u> <u>December 31, 2014</u>	<u>Net Cash Position</u> <u>December 31, 2013</u>	<u>Increase</u>
<b>Major funds:</b>			
Sewage disposal	\$ 969,368	\$ 720,943	\$ 248,425
Sewage disposal sinking	509,900	479,495	30,405
Storm water	<u>380,222</u>	<u>253,958</u>	<u>126,264</u>
Total	<u>\$ 1,859,490</u>	<u>\$ 1,454,396</u>	<u>\$ 405,094</u>

## CITY OF STRUTHERS, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 UNAUDITED

#### *Sewage Disposal Fund*

The sewage disposal fund had operating cash receipts of \$2,664,631, operating cash disbursements of \$3,345,717, nonoperating cash receipts of \$664,968, and an extraordinary item of \$264,543 during 2014. The sewage disposal fund's net cash position increased \$248,425 during 2014 from \$720,943 to \$969,368.

#### *Sewage Disposal Sinking Fund*

The sewage disposal sinking fund had operating cash receipts of \$155,077, nonoperating cash receipts of \$193,226, and nonoperating cash disbursements of \$317,898 during 2014. The sewage disposal sinking fund's net cash position increased \$30,405 during 2014 from \$479,495 to \$509,900.

#### *Storm Water Fund*

The storm water fund had operating cash receipts of \$236,094, operating cash disbursements of \$118,800, and nonoperating cash receipts of \$8,970 during 2014. The storm water fund's net cash position increased \$126,264 during 2014 from \$253,958 to \$380,222.

### **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 \$1,341,799 (both governmental activities and business-type activities) during 2014.

#### *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 \$146,836 outstanding at December 31, 2014.

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, 2014. These loans are being repaid from resources of the enterprise operations. Principal payments in 2014 were \$259,485 related to these obligations. The balances of the OWDA loans and the OPWC loans at December 31, 2014 were \$2,440,491 and \$616,462, 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 2014:

The City is located in Mahoning County, Ohio, which currently has an unemployment rate of 5.2%. This unemployment rate ranks Mahoning County 29<sup>th</sup> out of 88 Ohio counties, and is slightly better than the national average of 5.6%, but below the State average of 4.8%.

**CITY OF STRUTHERS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
UNAUDITED**

The City's budgeted cash receipts and other financing sources in the general fund for 2015 total \$3,715,459, which is the main consideration in determining the City's annual appropriations for 2015. 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, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,422,244	\$ 1,859,490	\$ 3,281,734
Total assets. . . . .	<u>\$ 1,422,244</u>	<u>\$ 1,859,490</u>	<u>\$ 3,281,734</u>
<b>Net cash position:</b>			
Restricted for:			
General government operations . . . . .	\$ 63,284	\$ -	\$ 63,284
Security of persons and property programs . . . . .	63,296	-	63,296
Transportation projects . . . . .	123,911	-	123,911
Public health services . . . . .	7,039	-	7,039
Community environment projects . . . . .	40,427	-	40,427
Revolving loan program. . . . .	160,718	-	160,718
Debt service . . . . .	1,871	509,900	511,771
Unrestricted. . . . .	<u>961,698</u>	<u>1,349,590</u>	<u>2,311,288</u>
Total net cash position . . . . .	<u>\$ 1,422,244</u>	<u>\$ 1,859,490</u>	<u>\$ 3,281,734</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STRUTHERS, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Current:				
General government . . . . .	\$ 1,934,572	\$ 223,416	\$ 25,448	\$ -
Security of persons and property.	1,789,468	275,685	5,545	-
Transportation . . . . .	505,064	-	518,967	-
Public health services. . . . .	36,618	-	9,327	-
Leisure time activities . . . . .	71,688	15,600	-	-
Community environment . . . . .	192,312	-	139,442	-
Miscellaneous . . . . .	28,203	-	-	-
Revolving loans. . . . .	-	-	15	-
Capital outlay. . . . .	226,462	-	-	-
Total governmental activities . . . . .	<u>4,784,387</u>	<u>514,701</u>	<u>698,744</u>	<u>-</u>
<b>Business-type activities:</b>				
Sewage disposal . . . . .	3,345,717	2,664,631	-	-
Sewage disposal sinking. . . . .	317,898	155,077	193,184	-
Storm water . . . . .	118,800	236,094	-	8,970
Total business-type activities . . . . .	<u>3,782,415</u>	<u>3,055,802</u>	<u>193,184</u>	<u>8,970</u>
Totals. . . . .	<u>\$ 8,566,802</u>	<u>\$ 3,570,503</u>	<u>\$ 891,928</u>	<u>\$ 8,970</u>

**General cash receipts:**

Property and income taxes for:
General purposes . . . . .
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 . . . . .
Extraordinary item - insurance proceeds . . . . .
Total general cash receipts and extraordinary items. . . . .
Change in net cash position . . . . .
<b>Net cash position at beginning of year. . . . .</b>
<b>Net cash position at end of year . . . . .</b>

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>
\$ (1,685,708)	\$ -	\$ (1,685,708)
(1,508,238)	-	(1,508,238)
13,903	-	13,903
(27,291)	-	(27,291)
(56,088)	-	(56,088)
(52,870)	-	(52,870)
(28,203)	-	(28,203)
15	-	15
(226,462)	-	(226,462)
(3,570,942)	-	(3,570,942)
-	(681,086)	(681,086)
-	30,363	30,363
-	126,264	126,264
-	(524,459)	(524,459)
(3,570,942)	(524,459)	(4,095,401)
3,411,799	-	3,411,799
25,607	-	25,607
25,607	-	25,607
216,693	-	216,693
-	664,968	664,968
-	42	42
149,698	-	149,698
3,829,404	665,010	4,494,414
-	264,543	264,543
3,829,404	929,553	4,758,957
258,462	405,094	663,556
1,163,782	1,454,396	2,618,178
<u>\$ 1,422,244</u>	<u>\$ 1,859,490</u>	<u>\$ 3,281,734</u>

**CITY OF STRUTHERS, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 954,395	\$ 467,849	\$ 1,422,244
Total assets . . . . .	<u>\$ 954,395</u>	<u>\$ 467,849</u>	<u>\$ 1,422,244</u>
<b>Fund cash balances:</b>			
Restricted:			
General government operations . . . . .	\$ -	\$ 63,284	\$ 63,284
Security of persons and property programs . . . . .	-	63,296	63,296
Transportation projects . . . . .	-	123,911	123,911
Public health services . . . . .	-	7,039	7,039
Community environment projects . . . . .	-	40,427	40,427
Revolving loan program. . . . .	-	160,718	160,718
Debt service . . . . .	-	1,871	1,871
Committed:			
Transportation projects . . . . .	-	3,427	3,427
Leisure time activities . . . . .	-	3,876	3,876
Underground storage tanks . . . . .	11,000	-	11,000
Assigned:			
Encumbrances - general government . . . . .	16,547	-	16,547
Encumbrances - security of persons and property . . . . .	14,617	-	14,617
Subsequent year appropriations . . . . .	566,074	-	566,074
Unassigned . . . . .	<u>346,157</u>	<u>-</u>	<u>346,157</u>
Total fund cash balances . . . . .	<u>\$ 954,395</u>	<u>\$ 467,849</u>	<u>\$ 1,422,244</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, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>			
Taxes . . . . .	\$ 3,411,799	\$ 51,214	\$ 3,463,013
Intergovernmental . . . . .	204,823	684,144	888,967
Charges for services . . . . .	3,645	49,693	53,338
License, permits and fees . . . . .	447,110	14,253	461,363
Investment receipts . . . . .	-	15	15
Miscellaneous . . . . .	149,698	26,455	176,153
Total cash receipts . . . . .	<u>4,217,075</u>	<u>825,774</u>	<u>5,042,849</u>
<b>Cash disbursements:</b>			
Current:			
General government . . . . .	1,903,417	31,155	1,934,572
Security of persons and property . . . . .	1,532,749	256,719	1,789,468
Transportation . . . . .	-	505,064	505,064
Public health services . . . . .	-	36,618	36,618
Leisure time activities . . . . .	40,598	31,090	71,688
Community environment . . . . .	-	192,312	192,312
Miscellaneous . . . . .	-	28,203	28,203
Capital outlay . . . . .	220,662	5,800	226,462
Total cash disbursements . . . . .	<u>3,697,426</u>	<u>1,086,961</u>	<u>4,784,387</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>519,649</u>	<u>(261,187)</u>	<u>258,462</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	284,540	284,540
Transfers (out) . . . . .	(284,540)	-	(284,540)
Total other financing sources (uses) . . . . .	<u>(284,540)</u>	<u>284,540</u>	<u>-</u>
Net change in fund cash balances . . . . .	235,109	23,353	258,462
<b>Fund cash balances</b>			
at beginning of year . . . . .	<u>719,286</u>	<u>444,496</u>	<u>1,163,782</u>
Fund cash balances at end of year . . . . .	<u>\$ 954,395</u>	<u>\$ 467,849</u>	<u>\$ 1,422,244</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Budgetary basis receipts:</b>				
Taxes . . . . .	\$ 3,013,592	\$ 3,014,520	\$ 3,411,799	\$ 397,279
Intergovernmental . . . . .	180,917	180,973	204,823	23,850
Charges for services . . . . .	3,220	3,221	3,645	424
License, permits and fees . . . . .	394,926	395,047	447,110	52,063
Miscellaneous . . . . .	132,226	132,267	149,698	17,431
Total budgetary basis receipts . . . . .	<u>3,724,881</u>	<u>3,726,028</u>	<u>4,217,075</u>	<u>491,047</u>
<b>Budgetary basis disbursements:</b>				
Current:				
General government . . . . .	2,037,324	1,974,949	1,930,964	43,985
Security of persons and property . . . . .	1,544,983	1,560,951	1,547,366	13,585
Leisure time activities . . . . .	34,000	41,500	40,598	902
Capital outlay . . . . .	334,500	271,000	220,662	50,338
Total budgetary basis disbursements . . . . .	<u>3,950,807</u>	<u>3,848,400</u>	<u>3,739,590</u>	<u>108,810</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements. . . . .	<u>(225,926)</u>	<u>(122,372)</u>	<u>477,485</u>	<u>599,857</u>
<b>Other financing (uses):</b>				
Transfers (out) . . . . .	<u>(285,000)</u>	<u>(284,000)</u>	<u>(284,540)</u>	<u>(540)</u>
Total other financing (uses) . . . . .	<u>(285,000)</u>	<u>(284,000)</u>	<u>(284,540)</u>	<u>(540)</u>
Net change in fund cash balances. . . . .	(510,926)	(406,372)	192,945	599,317
<b>Fund cash balance at beginning of year . . . .</b>	679,806	679,806	679,806	-
<b>Prior year encumbrances appropriated . . . .</b>	39,480	39,480	39,480	-
<b>Fund cash balance at end of year. . . . .</b>	<u>\$ 208,360</u>	<u>\$ 312,914</u>	<u>\$ 912,231</u>	<u>\$ 599,317</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STRUTHERS, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Sewage Disposal</u>	<u>Sewage Disposal Sinking</u>	<u>Storm Water</u>	<u>Total</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . .	\$ 969,368	\$ 509,900	\$ 380,222	\$ 1,859,490
Total assets . . . . .	<u>\$ 969,368</u>	<u>\$ 509,900</u>	<u>\$ 380,222</u>	<u>\$ 1,859,490</u>
<b>Net cash position:</b>				
Restricted for debt service. . . . .	\$ -	\$ 509,900	\$ -	\$ 509,900
Unrestricted . . . . .	<u>969,368</u>	<u>-</u>	<u>380,222</u>	<u>1,349,590</u>
Total net cash position . . . . .	<u>\$ 969,368</u>	<u>\$ 509,900</u>	<u>\$ 380,222</u>	<u>\$ 1,859,490</u>

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, 2014

	<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 . . . . .	\$ 2,076,841	\$ 155,077	\$ 236,094	\$ 2,468,012
Tap-in fees . . . . .	538,610	-	-	538,610
Other . . . . .	49,180	-	-	49,180
Total operating receipts . . . . .	<u>2,664,631</u>	<u>155,077</u>	<u>236,094</u>	<u>3,055,802</u>
<b>Operating disbursements:</b>				
Personal services . . . . .	1,180,223	-	16,767	1,196,990
Materials and supplies . . . . .	1,142,895	-	9,295	1,152,190
Capital outlay . . . . .	1,022,599	-	92,738	1,115,337
Total operating disbursements . . . . .	<u>3,345,717</u>	<u>-</u>	<u>118,800</u>	<u>3,464,517</u>
Operating income (loss) . . . . .	<u>(681,086)</u>	<u>155,077</u>	<u>117,294</u>	<u>(408,715)</u>
<b>Nonoperating receipts (disbursements):</b>				
Investment receipts . . . . .	-	42	-	42
Loan proceeds . . . . .	664,968	-	-	664,968
Grants . . . . .	-	193,184	8,970	202,154
Principal retirement . . . . .	-	(259,485)	-	(259,485)
Interest and fiscal charges . . . . .	-	(58,413)	-	(58,413)
Total nonoperating receipts (disbursements) . . . . .	<u>664,968</u>	<u>(124,672)</u>	<u>8,970</u>	<u>549,266</u>
Net income (loss) before extraordinary item . . . . .	<u>(16,118)</u>	<u>30,405</u>	<u>126,264</u>	<u>140,551</u>
Extraordinary item - insurance proceeds . . . . .	<u>264,543</u>	<u>-</u>	<u>-</u>	<u>264,543</u>
Change in net cash position . . . . .	248,425	30,405	126,264	405,094
Net cash position at beginning of year . . . . .	<u>720,943</u>	<u>479,495</u>	<u>253,958</u>	<u>1,454,396</u>
Net cash position at end of year . . . . .	<u>\$ 969,368</u>	<u>\$ 509,900</u>	<u>\$ 380,222</u>	<u>\$ 1,859,490</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF STRUTHERS, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
AGENCY FUND  
DECEMBER 31, 2014

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . .	\$ 243,115
Total assets . . . . .	<u>\$ 243,115</u>
<b>Net cash position:</b>	
Unrestricted . . . . .	\$ 243,115
Total net cash position . . . . .	<u>\$ 243,115</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, 2014

#### 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, 2014

#### 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, 2014**

**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, 2014**

**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 2014, 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 2014.

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, 2014**

**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 2014.

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### 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. During 2014, the City reported an extraordinary item in the sewage disposal fund in the amount of \$264,543 related to insurance proceeds resulting from an explosion at the City’s sewage plant in 2012. The City did not report any special items during 2014.

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For 2014, the City has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the basic financial statements of the City.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the basic 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.

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.

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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, 2014

**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, 2014, the carrying amount of all City deposits was \$3,460,131. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$3,122,206 of the City's bank balance of \$3,436,004 was exposed to custodial credit risk as discussed below, while \$313,798 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, 2014, the City had the following investment and maturity:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturity</u> 6 Months or Less
No-load money market mutual fund	\$ 64,718	\$ 64,718

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, 2014

**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, 2014:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
No-load money market mutual fund	\$ 64,718	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, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,460,131
Investments	64,718
Total	<u>\$ 3,524,849</u>
<u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 1,422,244
Business-type activities	1,859,490
Agency fund	243,115
Total	<u>\$ 3,524,849</u>

**NOTE 5 - LESSEE DISCLOSURE - LEASES**

During 2014, the City entered into lease agreements for three police vehicles, a 2015 International TerraStar truck, and new copier equipment. In prior years, the City entered into lease agreements for a 2009 International 7400 truck and new copier equipment. The principal and interest payments made on these leases during 2014 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, 2014

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

Principal and interest payments in 2014 totaled \$59,152 and \$1,110, respectively. Future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2015	\$ 60,459
2016	60,459
2017	21,030
2018	17,821
2019	<u>196</u>
Total minimum lease payments	159,965
Less: amount representing interest	<u>(13,129)</u>
Present value of future minimum lease payments	<u>\$ 146,836</u>

**NOTE 6 - DEBT OBLIGATIONS**

At December 31, 2014, debt obligations consisted of the following:

Enterprise funds:

Ohio Public Works Commission (OPWC) Loans:

Principal outstanding	\$ 616,462
Interest rate	0.00%

Ohio Water Development Authority (OWDA) Loans:

Principal outstanding	\$ 2,440,491
Interest rate	0.20% - 5.45%

The City's debt obligations activity for the year ended December 31, 2014 was as follows:

	<u>Balance 12/31/13</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 12/31/14</u>	<u>Amounts Due in One Year</u>
<u>Business-type activities:</u>					
OPWC loans	\$ 673,960	\$ -	\$ (57,498)	\$ 616,462	\$ 52,556
OWDA loans	<u>1,977,510</u>	<u>664,968</u>	<u>(201,987)</u>	<u>2,440,491</u>	<u>61,230</u>
Total	<u>\$ 2,651,470</u>	<u>\$ 664,968</u>	<u>\$ (259,485)</u>	<u>\$ 3,056,953</u>	<u>\$ 113,786</u>

**CITY OF STRUTHERS, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**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
2015	\$ 52,556	\$ -	\$ 52,556
2016	47,613	-	47,613
2017	47,614	-	47,614
2018	47,612	-	47,612
2019	47,614	-	47,614
2020 - 2024	102,740	-	102,740
2025 - 2029	102,742	-	102,742
2030 - 2034	88,846	-	88,846
2035 - 2039	73,500	-	73,500
2040 - 2041	<u>5,625</u>	<u>-</u>	<u>5,625</u>
Totals	<u>\$ 616,462</u>	<u>\$ -</u>	<u>\$ 616,462</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 \$1,366,614 at December 31, 2014. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2015	\$ 61,230	\$ 47,176	\$ 108,406
2016	63,813	44,591	108,404
2017	66,518	41,887	108,405
2018	69,347	39,057	108,404
2019	72,307	36,097	108,404
2020 - 2024	411,000	131,023	542,023
2025 - 2029	<u>329,662</u>	<u>38,439</u>	<u>368,101</u>
Totals	<u>\$ 1,073,877</u>	<u>\$ 378,270</u>	<u>\$ 1,452,147</u>

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 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, 2014 and for which there is an enforceable legal claim. For 2014, 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, 2014 was \$4.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 87,589,100
Commercial/industrial/mineral	13,189,060
Public utility personal property	<u>5,483,170</u>
Total assessed value	<u>\$ 106,261,330</u>

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### 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 2014, the income tax was receipted in the general fund.

#### NOTE 9 - PENSION PLANS

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

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The City's contribution rate for 2014 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$242,045, \$230,174, and \$154,905, respectively; 92.01% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 9 - PENSION PLANS - (Continued)

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

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

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the City was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the City's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$141,778 and \$103,397 for the year ended December 31, 2014, \$110,861 and \$90,444 for the year ended December 31, 2013, and \$91,935 and \$74,830 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 92.69% has been contributed for police officers and 92.16% has been contributed for firefighters for 2014.

#### NOTE 10 - POSTRETIREMENT BENEFIT PLANS

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

Plan Description - 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 post-employment health care coverage.

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

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

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the post-employment health care benefits. The portion of employer contributions allocated to fund post-employment health care for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$40,355, \$17,698, and \$117,883, respectively; 92.01% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

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

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined post-employment 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).

## CITY OF STRUTHERS, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

OP&F maintains funds for health care in two separate accounts, one 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 2014, 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 \$3,731 and \$2,200 for the year ended December 31, 2014, \$25,695 and \$16,089 for the year ended December 31, 2013, and \$48,672 and \$29,281 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 92.69% has been contributed for police officers and 92.16% has been contributed for firefighters for 2014.

#### **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.

**CITY OF STRUTHERS, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

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

**C. Comprehensive**

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, 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 proceedings 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, 2014**

**NOTE 13 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2014, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	\$ <u>284,540</u>
-----------------------------	-------------------

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, 2014, the encumbrances outstanding at year end (budgetary basis) amounted to \$31,164 for the general fund. At December 31, 2014, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 20, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-003 described in the accompanying schedule of findings to be a significant deficiency.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-003.

### ***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

October 20, 2016

**CITY OF STRUTHERS  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

<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>2014-001</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 2014, 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.

In addition, the City did not file the cash basis statements with the auditor of state within the 60 days as required. The statements should have been filed by March 2, 2015, but were not filed with the auditor of state until March 11, 2015.

We recommend the City prepare its financial statements in accordance with GAAP. In addition, we recommend the City file its cash basis statements within the 60 day requirement.

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

<b>Finding Number</b>	<b>2014-002</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 - 2014-002  
(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 \$840,339 in 2014 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.

<b>Finding Number</b>	<b>2014-003</b>
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**Noncompliance Citation / Significant Deficiency – Court Cash Reconciliation**

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

During the review of criminal and civil bank accounts and other financial documentation, we noted many of the bank reconciliations did not include complete lists of outstanding checks and none of the reconciliations contained evidence that supported the Court's cash balance as of December 31, 2014. There was very little evidence the Clerk of Court compared the adjusted bank balance to the Court's book balances and ensured accurate reporting.

**Finding Number - 2014-003  
(Continued)**

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

- Unclaimed funds including checks returned to the City are not voided and given to the City Treasury.
- Bank fees are not withheld from funds before disbursement to the Treasury.

For the Criminal bank account, no reconciliations were performed for the year under audit. After discussion with the Clerk of Courts, the City hired Henschen and Associates which is the Court Software Company to assist the City in preparing the reconciliation for 2014. After completion of the reconciliation by Henschen and Associates, the City's reconciliation showed a book over bank variance of \$3,323 at December 31, 2014. This variance was consistent for all 12 months under audit which would indicate that the variance was from previous years.

For the Civil Bank Account, no formal reconciliations were performed for the year under audit. While the Civil Court Clerk does verify the receipts posted to the system to insure the proper checks are written at the end of the month, and reviews the monthly bank statements to verify the checks that cleared the bank, she does not perform a detailed reconciliation. Most of the monies collected by the Civil Courts are disbursed at months end. The City hired Henschen and Associates to assist the City in preparing the reconciliation for 2014 for the Civil Court, which showed the book balance was greater than the bank balance by \$6,523 at December 31, 2014. Henschen found errors in the Opening Items Listing as well as the Outstanding Checklist. This variance was consistent from December 2014 through all of 2015.

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

The Clerk of Courts should perform monthly bank reconciliations based on the adjusted book balance provided as of the December 31, 2014 balance sheet date and ensure this book balance is the starting point for future reconciliations that are being reported to Council each month.

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

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**CITY OF STRUTHERS  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014**

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>
2013-001	Ohio Administrative Code Section 117-2-03 (B) – The City does not report on GAAP.	No	Reported again as finding 2014-001.
2013-002	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 2014-002.
2013-003	Ohio Administrative Code Section 117-2-02 – The Clerk of Courts should perform monthly bank reconciliations.	No	Reported again as finding 2014-003.

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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  
NOVEMBER 10, 2016**