



Dave Yost • Auditor of State

**CITY OF STRUTHERS
MAHONING COUNTY**

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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 s ended December 31, 2017 and 2016, 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 such 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 22.75% in 2017 and 19.72% in 2016 of the receipts reported with the business type activities on the Statement of Activities – Cash Basis, as well as 14.60%, 47.83% and 99.42% in 2017 and 12.88%, 33.95% and 93.44% in 2016 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 City did not adequately design or implement controls over 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 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, as of December 31, 2017 and 2016, and the respective changes in cash financial position thereof for the s 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 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, 2017 and 2016, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the s then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

December 12, 2018

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CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (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, 2017, 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 2017 are as follows:

- The total net cash position of the City increased \$216,247. Net cash position of governmental activities increased \$358,903, which represents a 18.96% increase from 2016. Net cash position of business-type activities decreased \$142,656, which represents a 8.44% decrease from 2016.
- General cash receipts accounted for \$4,540,973 or 79.10% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,199,688 or 20.90% of total governmental activities cash receipts.
- The City had \$5,381,758 in cash disbursements related to governmental activities; \$1,199,688 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$4,540,973 were adequate to provide for these programs.
- The City's major governmental fund is the general fund. The general fund had cash receipts of \$4,603,144 in 2017. The cash disbursements and other financing uses of the general fund totaled \$4,383,047 in 2017. The fund cash balance of the general fund increased \$220,097 from \$1,268,493 to \$1,488,590.
- The City's major enterprise funds are the sewage disposal fund, the sewage disposal sinking fund, and the storm water fund. Net cash position for the sewage disposal fund decreased in 2017 by \$286,411 or 30.41%. Net cash position for the sewage disposal sinking fund increased in 2017 by \$64,626 or 13.89%. Net cash position for the storm water fund increased in 2017 by \$79,129 or 27.88%.

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, 2017 (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 2017?" 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, 2017 (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 27-52 of this report.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2017 and December 31, 2016.

	Net Cash Position					
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 2,251,694	\$ 1,548,381	\$ 1,892,791	\$ 1,804,183	\$ 3,800,075	\$ 3,696,974
Total assets	<u>2,251,694</u>	<u>1,548,381</u>	<u>1,892,791</u>	<u>1,804,183</u>	<u>3,800,075</u>	<u>3,696,974</u>
<u>Net cash position:</u>						
Restricted	735,303	529,993	596,140	578,513	1,265,296	1,174,653
Unrestricted	<u>1,516,391</u>	<u>1,018,388</u>	<u>1,296,651</u>	<u>1,225,670</u>	<u>2,534,779</u>	<u>2,522,321</u>
Total net cash position	<u>\$ 2,251,694</u>	<u>\$ 1,548,381</u>	<u>\$ 1,892,791</u>	<u>\$ 1,804,183</u>	<u>\$ 3,800,075</u>	<u>\$ 3,696,974</u>

The total net cash position of the City increased \$216,247. Net cash position of governmental activities increased \$358,903, which represents a 18.96% increase from 2016. Net cash position of business-type activities decreased \$142,656, which represents a 8.44% increase from 2016.

At December 31, 2017, a portion of the City's net cash position, \$1,265,296, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,534,779 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, 2017
(UNAUDITED)

The table below shows the changes in net cash position for 2017 and 2016.

	Change in Net Cash Position					
	Governmental	Business-type	Governmental	Business-type	2017	2016
	Activities	Activities	Activities	Activities	Total	Total
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Cash receipts:</u>						
Program cash receipts:						
Charges for services	\$ 513,069	\$ 3,137,672	\$ 505,452	\$ 3,371,038	\$ 3,650,741	\$ 3,876,490
Operating grants and contributions	654,645	176,739	698,745	285,445	831,384	984,190
Capital grants and contributions	31,974	-	-	-	31,974	-
Total program cash receipts	<u>1,199,688</u>	<u>3,314,411</u>	<u>1,204,197</u>	<u>3,656,483</u>	<u>4,514,099</u>	<u>4,860,680</u>
General cash receipts:						
Property and income taxes	4,131,315	-	4,048,660	-	4,131,315	4,048,660
Unrestricted grants	198,199	-	201,949	-	198,199	201,949
Loan proceeds	-	402,219	-	209,383	402,219	209,383
Investment receipts	-	48	-	57	48	57
Miscellaneous	211,459	-	241,369	-	211,459	241,369
Total general cash receipts	<u>4,540,973</u>	<u>402,267</u>	<u>4,491,978</u>	<u>209,440</u>	<u>4,943,240</u>	<u>4,701,418</u>
Total cash receipts	<u>5,740,661</u>	<u>3,716,678</u>	<u>5,696,175</u>	<u>3,865,923</u>	<u>9,457,339</u>	<u>9,562,098</u>
<u>Cash disbursements:</u>						
General government	1,591,570	-	1,590,509	-	1,591,570	1,590,509
Security of persons and property	2,536,503	-	2,382,457	-	2,536,503	2,382,457
Transportation	917,579	-	960,087	-	917,579	960,087
Public health services	33,659	-	30,289	-	33,659	30,289
Leisure time activities	80,169	-	70,683	-	80,169	70,683
Community environment	-	-	21,624	-	-	21,624
Miscellaneous	379	-	12,585	-	379	12,585
Capital outlay	221,899	-	214,647	-	221,899	214,647
Sewage disposal	-	3,440,055	-	3,022,401	3,440,055	3,022,401
Sewage disposal sinking	-	274,236	-	454,700	274,236	454,700
Storm water	-	145,043	-	252,237	145,043	252,237
Total cash disbursements	<u>5,381,758</u>	<u>3,859,334</u>	<u>5,282,881</u>	<u>3,729,338</u>	<u>9,241,092</u>	<u>9,012,219</u>
Change in net cash position	358,903	(142,656)	413,294	136,585	216,247	549,879
Net cash position at beginning of year	<u>1,892,791</u>	<u>1,691,037</u>	<u>1,479,497</u>	<u>1,554,452</u>	<u>3,583,828</u>	<u>3,033,949</u>
Net cash position at end of year	<u>\$ 2,251,694</u>	<u>\$ 1,548,381</u>	<u>\$ 1,892,791</u>	<u>\$ 1,691,037</u>	<u>\$ 3,800,075</u>	<u>\$ 3,583,828</u>

CITY OF STRUTHERS, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Governmental Activities

Governmental activities net cash position increased \$358,903 during 2017.

General government represents activities related to the governing body, as well as activities that directly support City programs. In 2017, general government cash disbursements totaled \$1,591,570 or 29.57% of total governmental cash disbursements. General government programs were supported by \$226,500 in direct charges to users for services and \$4,000 in operating grants and contributions.

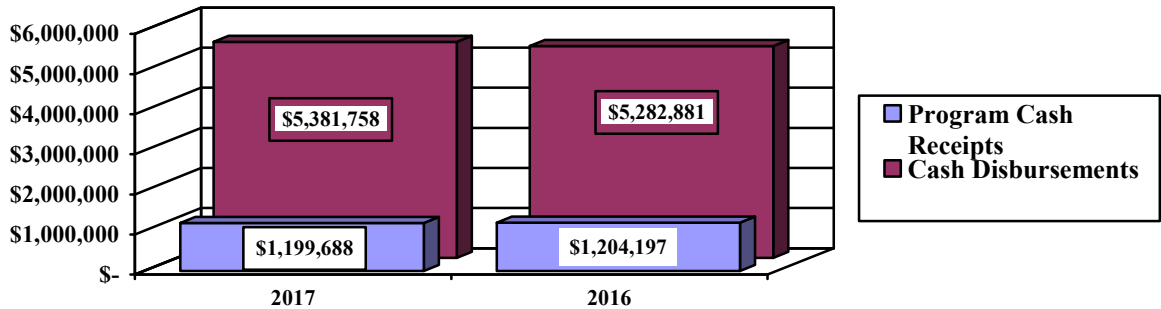
In 2017, security of persons and property cash disbursements totaled \$2,536,503 or 47.13% of total governmental cash disbursements. Security of persons and property programs were supported by \$270,144 in direct charges to users for services and \$14,926 in operating grants and contributions.

In 2017, transportation cash disbursements totaled \$917,579 or 17.05% of total governmental cash disbursements. Transportation programs were supported by \$630,379 in operating grants and contributions.

In 2017, capital outlay cash disbursements totaled \$221,899 or 4.12% of total governmental cash disbursements. Capital Outlay programs were supported by \$31,974 in capital 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 2017.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



CITY OF STRUTHERS, OHIO

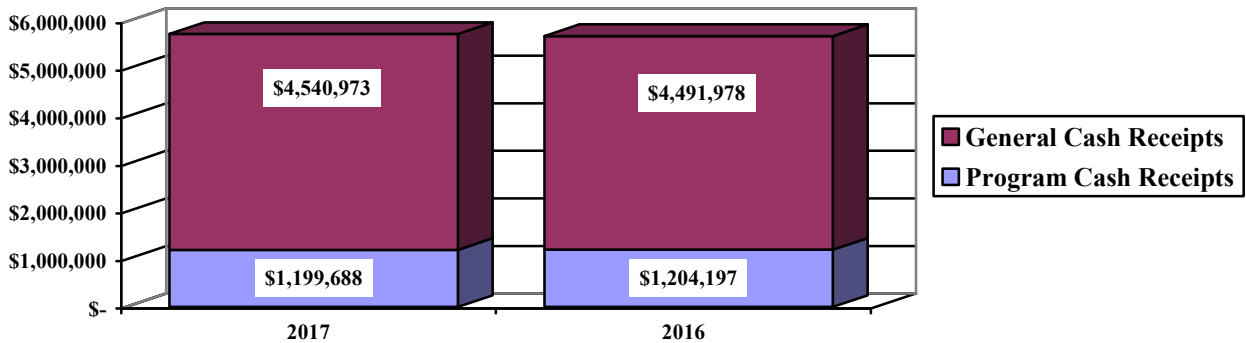
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

	Governmental Activities			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Cash disbursements:				
Current:				
General government	\$ 1,591,570	\$ 1,361,070	\$ 1,590,509	\$ 1,364,554
Security of persons and property	2,536,503	2,251,433	2,382,457	2,112,268
Transportation	917,579	287,200	960,087	278,297
Public health services	33,659	28,764	30,289	20,962
Leisure time activities	80,169	63,744	70,683	53,883
Community environment	-	-	21,624	21,624
Miscellaneous	379	379	12,585	12,585
Revolving loans	-	(445)	-	(136)
Capital outlay	221,899	189,925	214,647	214,647
Total	\$ 5,381,758	\$ 4,182,070	\$ 5,282,881	\$ 4,078,684

The dependence upon general cash receipts for governmental activities is apparent, with 77.71% 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 \$3,715,966 and cash disbursements of \$3,859,334 during 2017. The net cash position of the business-type activities decreased \$142,656 from 2016.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 \$2,251,694, which is \$358,903 greater than last year's total of \$1,892,791. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2017 and December 31, 2016 for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2017</u>	<u>Fund Cash Balance</u> <u>December 31, 2016</u>	<u>Change</u>
Major fund:			
General	\$ 1,488,590	\$ 1,268,493	\$ 220,097
Nonmajor governmental funds	<u>763,104</u>	<u>624,298</u>	<u>138,806</u>
Total	<u>\$ 2,251,694</u>	<u>\$ 1,892,791</u>	<u>\$ 358,903</u>

General Fund

The general fund had cash receipts and cash disbursements of \$4,603,144 and \$4,048,047, respectively, in 2017. These amounts exclude other financing sources and uses, which consisted of \$335,000 in transfers out. The fund cash balance of the general fund increased \$220,097 from 2016 to 2017.

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts:</u>				
Taxes	\$ 3,760,967	\$ 3,686,045	\$ 74,922	2.03 %
Intergovernmental	186,805	171,048	15,757	9.21 %
Special assessments	1,250	2,525	(1,275)	(50.50) %
Charges for services	469	698	(229)	(32.81) %
License, permits and fees	442,194	441,691	503	0.11 %
Miscellaneous	<u>211,459</u>	<u>241,369</u>	<u>(29,910)</u>	<u>(12.39) %</u>
Total	<u>\$ 4,603,144</u>	<u>\$ 4,543,376</u>	<u>\$ 59,768</u>	<u>1.32 %</u>

Overall cash receipts of the general fund increased \$59,768 or 1.32%. Taxes increased \$74,922 or 2.03% primarily due to an increase in the City's income tax cash receipts reported during 2017. Miscellaneous receipts decreased 29,910 due mainly to a decrease in general refunds. Intergovernmental receipts increased \$15,757 in part due to a real estate rollback adjustment from a prior year made during 2016. 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, 2017
(UNAUDITED)

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>		<u>Change</u>
<u>Cash disbursements:</u>				
General government	\$ 1,552,317	\$ 1,574,795	\$ (22,478)	(1.43) %
Security of persons and property	2,249,377	2,133,695	115,682	5.42 %
Leisure time activities	56,428	49,454	6,974	14.10 %
Capital outlay	<u>189,925</u>	<u>214,647</u>	<u>(24,722)</u>	(11.52) %
Total	<u>\$ 4,048,047</u>	<u>\$ 3,972,591</u>	<u>\$ 75,456</u>	1.90 %

Overall cash disbursements of the general fund increased \$75,456 or 1.90%. General government disbursements decreased by \$22,478 due to a decrease in payroll and administrative related disbursements throughout the City. Security of persons and property disbursements increased by \$115,682 during 2017 due to an increase in spending related to the City's police and fire departments. Capital outlay disbursements decreased by \$24,722 due to a decrease in various projects throughout the city.

Budgeting Highlights - General Fund

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2017, the final budgetary basis receipts for the general fund were \$4,603,144, and the original budgetary basis receipts were \$3,900,830. The actual budgetary basis receipts of \$4,603,144 remained unchanged from the final budgeted amounts. The original budgetary basis disbursements and other financing uses were \$4,830,786, and the final budgetary basis disbursements and other financing uses were \$4,773,036. The actual budgetary basis disbursements and other financing uses of \$4,383,099 were less than the final budgeted amounts by \$389,937.

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 \$1,661,748, which is \$142,435 less than last year's total of \$1,804,183.

The table below indicates the net cash position and the total change in net cash position as of December 31, 2017 and December 31, 2016 for all major and nonmajor enterprise funds.

	<u>Net Cash Position</u>	<u>Net Cash Position</u>	<u>Change</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	
Major funds:			
Sewage disposal	\$ 655,482	\$ 941,893	\$ (286,411)
Sewage disposal sinking	529,993	465,367	64,626
Storm water	<u>362,906</u>	<u>283,777</u>	<u>79,129</u>
Total	<u>\$ 1,548,381</u>	<u>\$ 1,691,037</u>	<u>\$ (142,656)</u>

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Sewage Disposal Fund

The sewage disposal fund had operating cash receipts of \$2,751,425, operating cash disbursements of \$3,440,055, and nonoperating cash receipts of \$402,219 during 2017. The sewage disposal fund's net cash position decreased \$286,411 during 2017 from \$941,893 to \$655,482.

Sewage Disposal Sinking Fund

The sewage disposal sinking fund had operating cash receipts of \$162,075, nonoperating cash receipts of \$176,787, and nonoperating cash disbursements of \$274,236 during 2017. The sewage disposal sinking fund's net cash position increased \$64,626 during 2017 from \$465,367 to \$529,993.

Storm Water Fund

The storm water fund had operating cash receipts of \$224,172, operating cash disbursements of \$145,043 during 2017. The storm water fund's net cash position increased \$79,129 during 2017 from \$283,777 to \$362,906.

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 \$829,747 (both governmental activities and business-type activities) during 2017.

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 \$243,036 outstanding at December 31, 2017.

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, 2017. These loans are being repaid from resources of the enterprise operations. Principal payments in 2017 were \$230,919 related to these obligations. The balances of the OWDA loans and the OPWC loans at December 31, 2017 were \$2,735,555 and \$468,678, respectively.

See Notes 5 and 6 to the basic financial statements for more detail on the City's long-term debt obligations outstanding.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2017:

The City is located in Mahoning County, Ohio, which currently has an unemployment rate of 5.9%. Mahoning County's unemployment rate is currently higher than the national average of 4.5% and the State average of 4.1%.

The City's budgeted cash receipts and other financing sources in the general fund for 2018 total \$5,613,250, which is the main consideration in determining the City's annual appropriations for 2018. 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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,251,694	\$ 1,548,381	\$ 3,800,075
Total assets.	<u>\$ 2,251,694</u>	<u>\$ 1,548,381</u>	<u>\$ 3,800,075</u>
Net cash position:			
Restricted for:			
General government operations	\$ 104,429	\$ -	\$ 104,429
Security of persons and property programs	174,958	-	174,958
Transportation projects	333,283	-	333,283
Public health services	9,397	-	9,397
Community environment projects	5,631	-	5,631
Revolving loan program.	105,734	-	105,734
Debt service	1,871	529,993	531,864
Unrestricted.	<u>1,516,391</u>	<u>1,018,388</u>	<u>2,534,779</u>
Total net cash position	<u>\$ 2,251,694</u>	<u>\$ 1,548,381</u>	<u>\$ 3,800,075</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government	\$ 1,591,570	\$ 226,500	\$ 4,000	\$ -
Security of persons and property.	2,536,503	270,144	14,926	-
Transportation	917,579	-	630,379	-
Public health services.	33,659	-	4,895	-
Leisure time activities	80,169	16,425	-	-
Miscellaneous	379	-	-	-
Revolving loans.	-	-	445	-
Capital outlay.	221,899	-	-	31,974
Total governmental activities	5,381,758	513,069	654,645	31,974
Business-type activities:				
Sewage disposal	3,440,055	2,751,425	-	-
Sewage disposal sinking.	274,236	162,075	176,739	-
Storm water	145,043	224,172	-	-
Total business-type activities	3,859,334	3,137,672	176,739	-
Totals.	\$ 9,241,092	\$ 3,650,741	\$ 831,384	\$ 31,974

General cash receipts:

Property and income taxes for:

- General purposes
- Transportation improvements
- Police disability and pensions
- Fire disability and pensions
- Grants and entitlements not restricted to specific programs
- Loan proceeds
- Investment receipts
- Miscellaneous

Total general cash receipts

Change in net cash position

Net cash position at beginning of year.

Net cash position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,361,070)	\$ -	\$ (1,361,070)
(2,251,433)	-	(2,251,433)
(287,200)	-	(287,200)
(28,764)	-	(28,764)
(63,744)	-	(63,744)
(379)	-	(379)
445	-	445
(189,925)	-	(189,925)
<u>(4,182,070)</u>	<u>-</u>	<u>(4,182,070)</u>
-	(688,630)	(688,630)
-	64,578	64,578
-	79,129	79,129
<u>-</u>	<u>(544,923)</u>	<u>(544,923)</u>
<u>(4,182,070)</u>	<u>(544,923)</u>	<u>(4,726,993)</u>
3,760,967	-	3,760,967
318,120	-	318,120
26,114	-	26,114
26,114	-	26,114
198,199	-	198,199
-	402,219	402,219
-	48	48
211,459	-	211,459
<u>4,540,973</u>	<u>402,267</u>	<u>4,943,240</u>
358,903	(142,656)	216,247
<u>1,892,791</u>	<u>1,691,037</u>	<u>3,583,828</u>
<u>\$ 2,251,694</u>	<u>\$ 1,548,381</u>	<u>\$ 3,800,075</u>

CITY OF STRUTHERS, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,488,590	\$ 763,104	\$ 2,251,694
Total assets	<u>\$ 1,488,590</u>	<u>\$ 763,104</u>	<u>\$ 2,251,694</u>
Fund cash balances:			
Restricted:			
General government operations	\$ -	\$ 104,429	\$ 104,429
Security of persons and property programs	-	174,958	174,958
Transportation projects	-	333,283	333,283
Public health services	-	9,397	9,397
Community environment projects	-	5,631	5,631
Revolving loan program	-	105,734	105,734
Debt service	-	1,871	1,871
Committed:			
Transportation projects	-	17,139	17,139
Leisure time activities	-	10,662	10,662
Underground storage tanks	11,000	-	11,000
Assigned:			
Encumbrances - leisure time activities	52	-	52
Subsequent year appropriations	1,196,483	-	1,196,483
Unassigned	<u>281,055</u>	<u>-</u>	<u>281,055</u>
Total fund cash balances	<u>\$ 1,488,590</u>	<u>\$ 763,104</u>	<u>\$ 2,251,694</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, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
Taxes	\$ 3,760,967	\$ 370,348	\$ 4,131,315
Intergovernmental	186,805	649,037	835,842
Special assessments	1,250	14,381	15,631
Charges for services	469	53,544	54,013
License, permits and fees	442,194	15,612	457,806
Investment receipts	-	445	445
Miscellaneous	211,459	34,150	245,609
Total cash receipts	<u>4,603,144</u>	<u>1,137,517</u>	<u>5,740,661</u>
Cash disbursements:			
Current:			
General government	1,552,317	39,253	1,591,570
Security of persons and property	2,249,377	287,126	2,536,503
Transportation	-	917,579	917,579
Public health services	-	33,659	33,659
Leisure time activities	56,428	23,741	80,169
Miscellaneous	-	379	379
Capital outlay	189,925	31,974	221,899
Total cash disbursements	<u>4,048,047</u>	<u>1,333,711</u>	<u>5,381,758</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>555,097</u>	<u>(196,194)</u>	<u>358,903</u>
Other financing sources (uses):			
Transfers in	-	335,000	335,000
Transfers (out)	(335,000)	-	(335,000)
Total other financing sources (uses)	<u>(335,000)</u>	<u>335,000</u>	<u>-</u>
Net change in fund cash balances	220,097	138,806	358,903
Fund cash balances			
at beginning of year	<u>1,268,493</u>	<u>624,298</u>	<u>1,892,791</u>
Fund cash balances at end of year	<u>\$ 1,488,590</u>	<u>\$ 763,104</u>	<u>\$ 2,251,694</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 3,187,146	\$ 3,760,967	\$ 3,760,967	\$ -
Intergovernmental	158,304	186,805	186,805	-
Special assessments	1,059	1,250	1,250	-
Charges for services	398	469	469	-
License, permits and fees	374,727	442,194	442,194	-
Miscellaneous	179,196	211,459	211,459	-
Total budgetary basis receipts	<u>3,900,830</u>	<u>4,603,144</u>	<u>4,603,144</u>	<u>-</u>
Budgetary basis disbursements:				
Current:				
General government	1,700,149	1,676,906	1,552,317	124,589
Security of persons and property	2,460,937	2,437,930	2,249,377	188,553
Leisure time activities	61,000	61,000	56,480	4,520
Capital outlay	278,700	262,200	189,925	72,275
Total budgetary basis disbursements	<u>4,500,786</u>	<u>4,438,036</u>	<u>4,048,099</u>	<u>389,937</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(599,956)</u>	<u>165,108</u>	<u>555,045</u>	<u>389,937</u>
Other financing (uses):				
Transfers (out)	<u>(330,000)</u>	<u>(335,000)</u>	<u>(335,000)</u>	<u>-</u>
Total other financing (uses)	<u>(330,000)</u>	<u>(335,000)</u>	<u>(335,000)</u>	<u>-</u>
Net change in fund cash balances	(929,956)	(169,892)	220,045	389,937
Fund cash balance at beginning of year	<u>1,257,493</u>	<u>1,257,493</u>	<u>1,257,493</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 327,537</u>	<u>\$ 1,087,601</u>	<u>\$ 1,477,538</u>	<u>\$ 389,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Sewage Disposal</u>	<u>Sewage Disposal Sinking</u>	<u>Storm Water</u>	<u>Total</u>
Assets:				
Equity in pooled cash and cash equivalents . .	\$ 655,482	\$ 529,993	\$ 362,906	\$ 1,548,381
Total assets	<u>\$ 655,482</u>	<u>\$ 529,993</u>	<u>\$ 362,906</u>	<u>\$ 1,548,381</u>
Net cash position:				
Restricted for debt service.	\$ -	\$ 529,993	\$ -	\$ 529,993
Unrestricted	<u>655,482</u>	<u>-</u>	<u>362,906</u>	<u>1,018,388</u>
Total net cash position	<u>\$ 655,482</u>	<u>\$ 529,993</u>	<u>\$ 362,906</u>	<u>\$ 1,548,381</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, 2017

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking	Storm Water	Total
Operating receipts:				
Charges for services	\$ 2,213,573	\$ 162,075	\$ 224,172	\$ 2,599,820
Tap-in fees	419,909	-	-	419,909
Other	117,943	-	-	117,943
Total operating receipts	2,751,425	162,075	224,172	3,137,672
Operating disbursements:				
Personal services	1,484,415	-	7,056	1,491,471
Contractual services	-	-	83,070	83,070
Materials and supplies	1,347,080	-	54,917	1,401,997
Capital outlay	608,560	-	-	608,560
Total operating disbursements	3,440,055	-	145,043	3,585,098
Operating income (loss)	(688,630)	162,075	79,129	(447,426)
Nonoperating receipts (disbursements):				
Investment receipts	-	48	-	48
Loan proceeds	402,219	-	-	402,219
Grants	-	176,739	-	176,739
Principal retirement	-	(232,559)	-	(232,559)
Interest and fiscal charges	-	(41,677)	-	(41,677)
Total nonoperating receipts (disbursements)	402,219	(97,449)	-	304,770
Change in net cash position	(286,411)	64,626	79,129	(142,656)
Net cash position at beginning of year	941,893	465,367	283,777	1,691,037
Net cash position at end of year	\$ 655,482	\$ 529,993	\$ 362,906	\$ 1,548,381

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
AGENCY FUND
DECEMBER 31, 2017

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 266,883
Total assets	<u>\$ 266,883</u>
Net cash position:	
Unrestricted	\$ 266,883
Total net cash position	<u>\$ 266,883</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, 2017

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

These statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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:

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

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 2017, 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 2017.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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 2017.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City did not report any extraordinary and special items during 2017.

Q. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2017, the City has implemented GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14", GASB Statement No. 81 "Irrevocable Split-Interest Agreements", and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its 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.

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;

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2017, the carrying amount of all City deposits was \$4,002,478. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2017, \$3,963,815 of the City's bank balance of \$4,213,815 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the FDIC.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2017, the City had the following investment and maturity:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturity 6 Months or Less</u>
No-load money market mutual fund	\$ 64,480	\$ 64,480

The weighted average maturity of investments is one day.

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, 2017:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
No-load money market mutual fund	\$ 64,480	100.00

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,002,478
Investments	<u>64,480</u>
Total	<u>\$ 4,066,958</u>
 <u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 2,251,694
Business-type activities	1,548,381
Agency fund	<u>266,883</u>
Total	<u>\$ 4,066,958</u>

NOTE 5 - LESSEE DISCLOSURE - LEASES

During 2017, the City entered into lease agreements for four police vehicles, Motorola communication equipment and new copier equipment. In prior years, the City entered into lease agreements for a 2015 International TerraStar truck, a 2009 International 7400 truck and new copier equipment. The principal and interest payments made on these leases during 2017 are included as function cash disbursements in the basic financial statements of the governmental activities.

Principal and interest payments in 2017 totaled \$74,213 and \$1,380, respectively. Future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2018	\$ 100,401
2019	82,775
2020	28,717
2021	28,717
2022	<u>28,016</u>
Total minimum lease payments	268,626
Less: amount representing interest	<u>(25,590)</u>
Present value of future minimum lease payments	<u>\$ 243,036</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2017, debt obligations consisted of the following:

Enterprise funds:

Ohio Public Works Commission (OPWC) Loans:

Principal outstanding	\$ 468,678
Interest rate	0.00%

Ohio Water Development Authority (OWDA) Loans:

Principal outstanding	\$ 2,642,669
Interest rate	0.20% - 5.45%

The City's debt obligations activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Amounts Due in One Year
<u>Business-type activities:</u>					
OPWC loans	\$ 516,292	\$ -	\$ (47,614)	\$ 468,678	\$ 47,612
OWDA loans	2,425,395	402,219	(184,945)	2,642,669	129,252
Total	<u>\$ 2,941,687</u>	<u>\$ 402,219</u>	<u>\$ (232,559)</u>	<u>\$ 3,111,347</u>	<u>\$ 176,864</u>

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

Year Ending December 31,	OPWC Loans		
	Principal	Interest	Total
2018	\$ 47,612	\$ -	\$ 47,612
2019	47,614	-	47,614
2020	20,548	-	20,548
2021	20,548	-	20,548
2022	20,548	-	20,548
2023 - 2027	102,741	-	102,741
2028 - 2032	98,110	-	98,110
2033 - 2037	79,583	-	79,583
2038 - 2041	31,374	-	31,374
Totals	<u>\$ 468,678</u>	<u>\$ -</u>	<u>\$ 468,678</u>

The City has six 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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the sewage disposal bond retirement enterprise fund. The debt is payable solely from net revenues and are payable through 2029. Annual principal payments on the debt issues are expected to require 139.65 percent of net revenues. Principal paid for the current year and total net revenues were \$184,945 and \$162,075, respectively.

Should the utility facilities have insufficient receipts to repay these loans, they are secured by the full faith, credit, and resources of the City. Two 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 were \$1,240,858 for Loan #6250 and \$348,558 for Loan #7587 at December 31, 2017. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2018	\$ 86,863	\$ 42,389	\$ 129,252
2019	90,175	39,076	129,251
2020	93,634	35,620	129,254
2021	97,241	32,010	129,251
2022	101,009	28,243	129,252
2023 - 2027	489,920	80,126	570,046
2028 - 2029	94,411	3,848	98,259
Totals	<u>\$ 1,053,253</u>	<u>\$ 261,312</u>	<u>\$ 1,314,565</u>

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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 - PROPERTY TAX – (Continued)

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, 2017 and for which there is an enforceable legal claim. For 2017, 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, 2017 was \$7.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 87,113,880
Commercial/industrial/mineral	13,955,230
Public utility personal property	<u>6,264,960</u>
Total assessed value	<u>\$ 107,334,070</u>

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 2017, the income tax was received in the general fund.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan was \$254,683 for 2017.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$273,303 for 2017.

Net Pension Liabilities

The net pension liability for the OPERS Traditional Pension Plan was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

	OPERS -		
	Traditional	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01625200%	0.06093900%	
Proportion of the net pension liability/asset current measurement date	<u>0.01588600%</u>	<u>0.05757300%</u>	
Change in proportionate share	<u>-0.00036600%</u>	<u>-0.00336600%</u>	
Proportionate share of the net pension liability	\$ 3,607,440	\$ 3,646,655	\$ 7,254,095

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability:			
Traditional Pension Plan	\$ 5,511,171	\$ 3,607,440	\$ 2,021,017

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation			
Protected Securities *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 4,856,860	\$ 3,646,655	\$ 2,620,917

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$19,591, \$40,238, and \$37,515, respectively.

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 postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$4,350 and \$2,391 for the year ended December 31, 2017, \$3,880 and \$2,068 for the year ended December 31, 2016, and \$4,069 and \$2,231, for the year ended December 31, 2015.

NOTE 11 - RISK MANAGEMENT

A. Employee Medical, Dental, and Vision Coverage

The City manages employee medical, dental, and vision benefits on a fully insured basis. The risk of loss transfers to the insurance company upon payment of the premiums. The City provides employee medical, dental, and vision benefits through Anthem. Medical premiums were \$1,974.71 for family coverage, \$1,406.03 for employee spouse coverage, \$1,079.78 for employee child coverage, and \$639.68 for single coverage. Dental premiums were \$56.00 for all coverage types. Vision premiums were \$16.75 for family coverage, \$11.93 for employee spouse coverage, \$9.19 for employee child coverage, and \$5.43 for single coverage. Employees are required to pay 24.79% of the family coverage total each month and the City pays the remainder.

B. Workers' Compensation

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

C. Comprehensive

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, 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.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 12 - CONTINGENCIES

A. Federal and State Grants

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

B. Litigation

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

NOTE 13 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	<u>\$ 335,000</u>
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Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a component of fund cash balance (cash basis), and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). At December 31, 2017, the encumbrances outstanding at year end (budgetary basis) amounted to \$52 for the general fund. At December 31, 2017, funds included as part of the general fund (cash basis) had a total fund cash balance of \$11,000.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (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, 2016, 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 2016 are as follows:

- The total net cash position of the City increased \$549,879. Net cash position of governmental activities increased \$413,294, which represents a 27.93% increase from 2015. Net cash position of business-type activities increased \$136,585, which represents an 8.79% increase from 2015.
- General cash receipts accounted for \$4,491,978 or 78.86% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,204,197 or 21.14% of total governmental activities cash receipts.
- The City had \$5,282,881 in cash disbursements related to governmental activities; \$1,204,197 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$4,491,978 were adequate to provide for these programs.
- The City's major governmental fund is the general fund. The general fund had cash receipts of \$4,543,376 in 2016. The cash disbursements and other financing uses of the general fund totaled \$4,282,591 in 2016. The fund cash balance of the general fund increased \$260,785 from \$1,007,708 to \$1,268,493.
- 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 2016 by \$195,862 or 26.25%. Net cash position for the sewage disposal sinking fund decreased in 2016 by \$22,457 or 4.60%. Net cash position for the storm water fund decreased in 2016 by \$36,820 or 11.48%.

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, 2016 (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 2016?" 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 65-67 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 60.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (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 68-69 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 70 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 71-72 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 73 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 75-101 of this report.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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, 2016 and December 31, 2015.

	Net Cash Position					
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	2016	2016	2015	2015	2016	2015
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 1,892,791	\$ 1,691,037	\$ 1,479,497	\$ 1,554,452	\$ 3,583,828	\$ 3,033,949
Total assets	<u>1,892,791</u>	<u>1,691,037</u>	<u>1,479,497</u>	<u>1,554,452</u>	<u>3,583,828</u>	<u>3,033,949</u>
<u>Net cash position:</u>						
Restricted	596,140	465,367	444,228	487,824	1,061,507	932,052
Unrestricted	<u>1,296,651</u>	<u>1,225,670</u>	<u>1,035,269</u>	<u>1,066,628</u>	<u>2,522,321</u>	<u>2,101,897</u>
Total net cash position	<u>\$ 1,892,791</u>	<u>\$ 1,691,037</u>	<u>\$ 1,479,497</u>	<u>\$ 1,554,452</u>	<u>\$ 3,583,828</u>	<u>\$ 3,033,949</u>

The total net cash position of the City increased \$549,879. Net cash position of governmental activities increased \$413,294, which represents a 27.93% increase from 2015. Net cash position of business-type activities increased \$136,585, which represents an 8.79% increase from 2015.

At December 31, 2016, a portion of the City's net cash position, \$1,061,507, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,522,321 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, 2016
(UNAUDITED)

The table below shows the changes in net cash position for 2016 and 2015.

	Change in Net Cash Position					
	Governmental	Business-type	Governmental	Business-type	2016	2015
	Activities	Activities	Activities	Activities	Total	Total
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>		
<u>Cash receipts:</u>						
Program cash receipts:						
Charges for services	\$ 505,452	\$ 3,371,038	\$ 541,352	\$ 2,943,901	\$ 3,876,490	\$ 3,485,253
Operating grants and contributions	698,745	285,445	1,040,563	108,019	984,190	1,148,582
Capital grants and contributions	-	-	-	48,300	-	48,300
Total program cash receipts	<u>1,204,197</u>	<u>3,656,483</u>	<u>1,581,915</u>	<u>3,100,220</u>	<u>4,860,680</u>	<u>4,682,135</u>
General cash receipts:						
Property and income taxes	4,048,660	-	3,777,477	-	4,048,660	3,777,477
Unrestricted grants	201,949	-	241,046	-	201,949	241,046
Loan proceeds	-	209,383	-	116,282	209,383	116,282
Investment receipts	-	57	-	57	57	57
Miscellaneous	<u>241,369</u>	<u>-</u>	<u>103,173</u>	<u>-</u>	<u>241,369</u>	<u>103,173</u>
Total general cash receipts	<u>4,491,978</u>	<u>209,440</u>	<u>4,121,696</u>	<u>116,339</u>	<u>4,701,418</u>	<u>4,238,035</u>
Total cash receipts	<u>5,696,175</u>	<u>3,865,923</u>	<u>5,703,611</u>	<u>3,216,559</u>	<u>9,562,098</u>	<u>8,920,170</u>
<u>Cash disbursements:</u>						
General government	1,590,509	-	2,015,763	-	1,590,509	2,015,763
Security of persons and property	2,382,457	-	1,835,134	-	2,382,457	1,835,134
Transportation	960,087	-	968,601	-	960,087	968,601
Public health services	30,289	-	35,909	-	30,289	35,909
Leisure time activities	70,683	-	62,381	-	70,683	62,381
Community environment	21,624	-	394,973	-	21,624	394,973
Miscellaneous	12,585	-	42,616	-	12,585	42,616
Capital outlay	214,647	-	290,981	-	214,647	290,981
Sewage disposal	-	3,022,401	-	2,910,272	3,022,401	2,910,272
Sewage disposal sinking	-	454,700	-	286,407	454,700	286,407
Storm water	<u>-</u>	<u>252,237</u>	<u>-</u>	<u>324,918</u>	<u>252,237</u>	<u>324,918</u>
Total cash disbursements	<u>5,282,881</u>	<u>3,729,338</u>	<u>5,646,358</u>	<u>3,521,597</u>	<u>9,012,219</u>	<u>9,167,955</u>
Change in net cash position	413,294	136,585	57,253	(305,038)	549,879	(247,785)
Net cash position at beginning of year	<u>1,479,497</u>	<u>1,554,452</u>	<u>1,422,244</u>	<u>1,859,490</u>	<u>3,033,949</u>	<u>3,281,734</u>
Net cash position at end of year	<u>\$ 1,892,791</u>	<u>\$ 1,691,037</u>	<u>\$ 1,479,497</u>	<u>\$ 1,554,452</u>	<u>\$ 3,583,828</u>	<u>\$ 3,033,949</u>

CITY OF STRUTHERS, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

Governmental Activities

Governmental activities net cash position increased \$413,294 during 2016.

General government represents activities related to the governing body, as well as activities that directly support City programs. In 2016, general government cash disbursements totaled \$1,590,509 or 30.11% of total governmental cash disbursements. General government programs were supported by \$222,393 in direct charges to users for services and \$3,562 in operating grants and contributions.

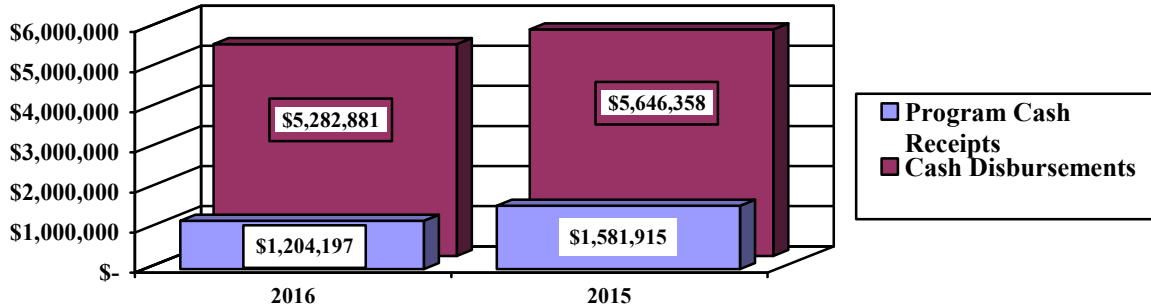
In 2016, security of persons and property cash disbursements totaled \$2,382,457 or 45.10% of total governmental cash disbursements. Security of persons and property programs were supported by \$266,259 in direct charges to users for services and \$3,930 in operating grants and contributions.

In 2016, transportation cash disbursements totaled \$960,087 or 18.17% of total governmental cash disbursements. Transportation programs were supported by \$681,790 in operating grants and contributions.

In 2016, capital outlay cash disbursements totaled \$214,647 or 4.06% of total governmental cash disbursements.

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 2016.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



CITY OF STRUTHERS, OHIO

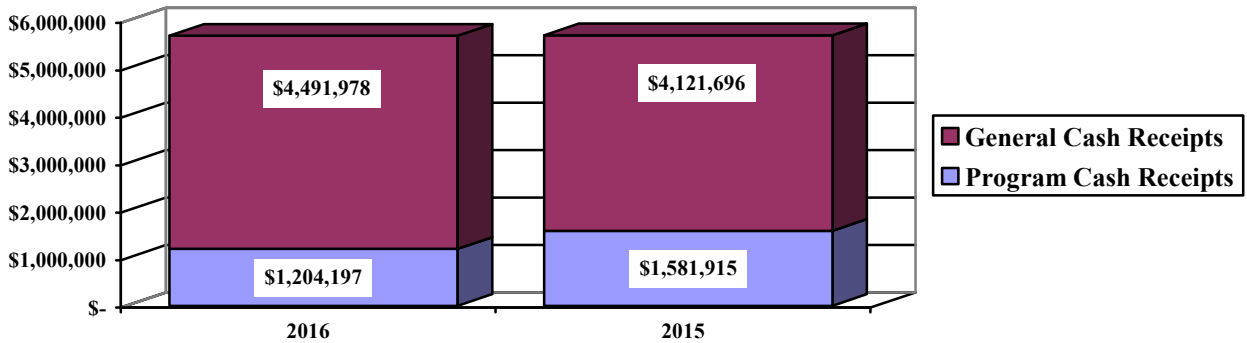
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

	Governmental Activities			
	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Cash disbursements:				
Current:				
General government	\$ 1,590,509	\$ 1,364,554	\$ 2,015,763	\$ 1,770,416
Security of persons and property	2,382,457	2,112,268	1,835,134	1,563,400
Transportation	960,087	278,297	968,601	333,191
Public health services	30,289	20,962	35,909	24,701
Leisure time activities	70,683	53,883	62,381	25,981
Community environment	21,624	21,624	394,973	13,172
Miscellaneous	12,585	12,585	42,616	42,616
Revolving loans	-	(136)	-	(15)
Capital outlay	214,647	214,647	290,981	290,981
Total	\$ 5,282,881	\$ 4,078,684	\$ 5,646,358	\$ 4,064,443

The dependence upon general cash receipts for governmental activities is apparent, with 77.21% 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 \$3,864,865 and cash disbursements of \$3,729,338 during 2016. The net cash position of the business-type activities increased \$136,585 from 2015.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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 \$1,892,791, which is \$413,294 greater than last year's total of \$1,479,497. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2016 and December 31, 2015 for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2016</u>	<u>Fund Cash Balance</u> <u>December 31, 2015</u>	<u>Increase</u>
Major fund:			
General	\$ 1,268,493	\$ 1,007,708	\$ 260,785
Nonmajor governmental funds	<u>624,298</u>	<u>471,789</u>	<u>152,509</u>
Total	<u>\$ 1,892,791</u>	<u>\$ 1,479,497</u>	<u>\$ 413,294</u>

General Fund

The general fund had cash receipts and cash disbursements of \$4,543,376 and \$3,972,591, respectively, in 2016. These amounts exclude other financing sources and uses, which consisted of \$310,000 in transfers out. The fund cash balance of the general fund increased \$260,785 from 2015 to 2016.

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts:</u>				
Taxes	\$ 3,686,045	\$ 3,447,235	\$ 238,810	6.93 %
Intergovernmental	171,048	221,614	(50,566)	(22.82) %
Special assessments	2,525	18,965	(16,440)	(86.69) %
Charges for services	698	4,106	(3,408)	(83.00) %
License, permits and fees	441,691	438,011	3,680	0.84 %
Miscellaneous	<u>241,369</u>	<u>103,173</u>	<u>138,196</u>	133.95 %
Total	<u>\$ 4,543,376</u>	<u>\$ 4,233,104</u>	<u>\$ 310,272</u>	7.33 %

Overall cash receipts of the general fund increased \$310,272 or 7.33%. Taxes increased \$238,810 or 6.93% primarily due to an increase in the City's income tax cash receipts reported during 2016. Miscellaneous receipts increased 138,196 due to an increase in general refunds. Intergovernmental receipts decreased \$50,566 in part due to a real estate rollback adjustment from a prior year made during 2016. 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, 2016
(UNAUDITED)

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash disbursements:</u>				
General government	\$ 1,574,795	\$ 1,962,657	\$ (387,862)	(19.76) %
Security of persons and property	2,133,695	1,560,942	572,753	36.69 %
Leisure time activities	49,454	44,512	4,942	11.10 %
Capital outlay	<u>214,647</u>	<u>290,981</u>	<u>(76,334)</u>	<u>(26.23) %</u>
Total	<u>\$ 3,972,591</u>	<u>\$ 3,859,092</u>	<u>\$ 113,499</u>	<u>2.94 %</u>

Overall cash disbursements of the general fund increased \$113,499 or 2.94%. General government disbursements decreased by \$387,862 due to a decrease in payroll and administrative related disbursements throughout the City. Security of persons and property disbursements increased by \$572,753 during 2016 due to an increase in spending related to the City's police and fire departments. Capital outlay disbursements increased by \$76,334 due to an increase in various projects throughout the city.

Budgeting Highlights - General Fund

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2016, the final budgetary basis receipts for the general fund were \$4,562,773, and the original budgetary basis receipts were \$3,670,079. The actual budgetary basis receipts of \$4,543,376 were \$19,397 lower than the final budgeted amounts. The original budgetary basis disbursements and other financing uses were \$4,409,935, and the final budgetary basis disbursements and other financing uses were \$4,365,956. The actual budgetary basis disbursements and other financing uses of \$4,282,591 were less than the final budgeted amounts by \$83,365.

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 \$1,691,037, which is \$136,585 more than last year's total of \$1,554,452.

The table below indicates the net cash position and the total change in net cash position as of December 31, 2016 and December 31, 2015 for all major and nonmajor enterprise funds.

	<u>Net Cash Position</u> <u>December 31, 2016</u>	<u>Net Cash Position</u> <u>December 31, 2015</u>	<u>Increase/</u> <u>(Decrease)</u>
Major funds:			
Sewage disposal	\$ 941,893	\$ 746,031	\$ 195,862
Sewage disposal sinking	465,367	487,824	(22,457)
Storm water	<u>283,777</u>	<u>320,597</u>	<u>(36,820)</u>
Total	<u>\$ 1,691,037</u>	<u>\$ 1,554,452</u>	<u>\$ 136,585</u>

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Sewage Disposal Fund

The sewage disposal fund had operating cash receipts of \$3,008,880, operating cash disbursements of \$3,022,401, and nonoperating cash receipts of \$209,383 during 2016. The sewage disposal fund's net cash position increased \$195,862 during 2016 from \$746,031 to \$941,893.

Sewage Disposal Sinking Fund

The sewage disposal sinking fund had operating cash receipts of \$146,741, operating cash disbursements of \$184,891, nonoperating cash receipts of \$285,502, and nonoperating cash disbursements of \$269,809 during 2016. The sewage disposal sinking fund's net cash position decreased \$22,457 during 2016 from \$487,824 to \$465,367.

Storm Water Fund

The storm water fund had operating cash receipts of \$215,417, operating cash disbursements of \$252,237 during 2016. The storm water fund's net cash position decreased \$36,820 during 2016 from \$320,597 to \$283,777.

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 \$816,361 (both governmental activities and business-type activities) during 2016.

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 \$37,261 outstanding at December 31, 2016.

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, 2016. These loans are being repaid from resources of the enterprise operations. Principal payments in 2016 were \$138,067 related to these obligations. In addition, during 2016 a balance owed to the City of \$19,520 for OWDA loan #4782 was reduced to \$0. The balances of the OWDA loans and the OPWC loans at December 31, 2016 were \$2,516,641 and \$516,292, respectively.

See Notes 5 and 6 to the basic financial statements for more detail on the City's long-term debt obligations outstanding.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (UNAUDITED)

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2016:

The City is located in Mahoning County, Ohio, which currently has an unemployment rate of 5.9%. Mahoning County's unemployment rate is currently higher than the national average of 4.7% and the State average of 4.7%.

The City's budgeted cash receipts and other financing sources in the general fund for 2017 total \$5,158,324, which is the main consideration in determining the City's annual appropriations for 2017. 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, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,892,791	\$ 1,691,037	\$ 3,583,828
Total assets.	\$ 1,892,791	\$ 1,691,037	\$ 3,583,828
Net cash position:			
Restricted for:			
General government operations	\$ 92,124	\$ -	\$ 92,124
Security of persons and property programs	124,177	-	124,177
Transportation projects	259,322	-	259,322
Public health services	7,347	-	7,347
Community environment projects	5,631	-	5,631
Revolving loan program.	105,668	-	105,668
Debt service	1,871	465,367	467,238
Unrestricted.	1,296,651	1,225,670	2,522,321
Total net cash position.	\$ 1,892,791	\$ 1,691,037	\$ 3,583,828

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Cash Disbursements	Program Cash Receipts	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Current:			
General government	\$ 1,590,509	\$ 222,393	\$ 3,562
Security of persons and property.	2,382,457	266,259	3,930
Transportation	960,087	-	681,790
Public health services.	30,289	-	9,327
Leisure time activities	70,683	16,800	-
Community environment	21,624	-	-
Miscellaneous	12,585	-	-
Revolving loans.	-	-	136
Capital outlay.	214,647	-	-
Total governmental activities	<u>5,282,881</u>	<u>505,452</u>	<u>698,745</u>
Business-type activities:			
Sewage disposal	3,022,401	3,008,880	-
Sewage disposal sinking.	454,700	146,741	285,445
Storm water	252,237	215,417	-
Total business-type activities	<u>3,729,338</u>	<u>3,371,038</u>	<u>285,445</u>
Totals.	<u>\$ 9,012,219</u>	<u>\$ 3,876,490</u>	<u>\$ 984,190</u>

General cash receipts:

Property and income taxes for:

- General purposes
- Transportation improvements
- Police disability and pensions
- Fire disability and pensions
- Grants and entitlements not restricted to specific programs
- Loan proceeds
- Investment receipts
- Miscellaneous

Total general cash receipts

Change in net cash position

Net cash position at beginning of year.

Net cash position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,364,554)	\$ -	\$ (1,364,554)
(2,112,268)	-	(2,112,268)
(278,297)	-	(278,297)
(20,962)	-	(20,962)
(53,883)	-	(53,883)
(21,624)	-	(21,624)
(12,585)	-	(12,585)
136	-	136
(214,647)	-	(214,647)
<u>(4,078,684)</u>	<u>-</u>	<u>(4,078,684)</u>
-	(13,521)	(13,521)
-	(22,514)	(22,514)
-	(36,820)	(36,820)
-	(72,855)	(72,855)
<u>(4,078,684)</u>	<u>(72,855)</u>	<u>(4,151,539)</u>
3,686,045	-	3,686,045
311,757	-	311,757
25,429	-	25,429
25,429	-	25,429
201,949	-	201,949
-	209,383	209,383
-	57	57
241,369	-	241,369
<u>4,491,978</u>	<u>209,440</u>	<u>4,701,418</u>
413,294	136,585	549,879
<u>1,479,497</u>	<u>1,554,452</u>	<u>3,033,949</u>
<u>\$ 1,892,791</u>	<u>\$ 1,691,037</u>	<u>\$ 3,583,828</u>

CITY OF STRUTHERS, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,268,493	\$ 624,298	\$ 1,892,791
Total assets	<u>\$ 1,268,493</u>	<u>\$ 624,298</u>	<u>\$ 1,892,791</u>
Fund cash balances:			
Restricted:			
General government operations	\$ -	\$ 92,124	\$ 92,124
Security of persons and property programs	-	124,177	124,177
Transportation projects	-	259,322	259,322
Public health services	-	7,347	7,347
Community environment projects	-	5,631	5,631
Revolving loan program	-	105,668	105,668
Debt service	-	1,871	1,871
Committed:			
Transportation projects	-	10,180	10,180
Leisure time activities	-	17,978	17,978
Underground storage tanks	11,000	-	11,000
Assigned:			
Subsequent year appropriations	169,893	-	169,893
Unassigned	<u>1,087,600</u>	<u>-</u>	<u>1,087,600</u>
Total fund cash balances	<u>\$ 1,268,493</u>	<u>\$ 624,298</u>	<u>\$ 1,892,791</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, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
Taxes	\$ 3,686,045	\$ 362,615	\$ 4,048,660
Intergovernmental	171,048	675,054	846,102
Special assessments	2,525	24,637	27,162
Charges for services	698	49,939	50,637
License, permits and fees	441,691	10,599	452,290
Investment receipts	-	136	136
Miscellaneous	241,369	29,819	271,188
Total cash receipts	<u>4,543,376</u>	<u>1,152,799</u>	<u>5,696,175</u>
Cash disbursements:			
Current:			
General government	1,574,795	15,714	1,590,509
Security of persons and property	2,133,695	248,762	2,382,457
Transportation	-	960,087	960,087
Public health services	-	30,289	30,289
Leisure time activities	49,454	21,229	70,683
Community environment	-	21,624	21,624
Miscellaneous	-	12,585	12,585
Capital outlay	214,647	-	214,647
Total cash disbursements	<u>3,972,591</u>	<u>1,310,290</u>	<u>5,282,881</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>570,785</u>	<u>(157,491)</u>	<u>413,294</u>
Other financing sources (uses):			
Transfers in	-	310,000	310,000
Transfers (out)	(310,000)	-	(310,000)
Total other financing sources (uses)	<u>(310,000)</u>	<u>310,000</u>	<u>-</u>
Net change in fund cash balances	260,785	152,509	413,294
Fund cash balances			
at beginning of year	<u>1,007,708</u>	<u>471,789</u>	<u>1,479,497</u>
Fund cash balances at end of year	<u>\$ 1,268,493</u>	<u>\$ 624,298</u>	<u>\$ 1,892,791</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 2,964,880	\$ 3,686,045	\$ 3,686,045	\$ -
Intergovernmental	153,185	190,445	171,048	(19,397)
Special assessments	2,031	2,525	2,525	-
Charges for services	561	698	698	-
License, permits and fees	355,276	441,691	441,691	-
Miscellaneous	194,146	241,369	241,369	-
Total budgetary basis receipts	<u>3,670,079</u>	<u>4,562,773</u>	<u>4,543,376</u>	<u>(19,397)</u>
Budgetary basis disbursements:				
Current:				
General government	1,701,322	1,602,949	1,574,795	28,154
Security of persons and property	2,099,633	2,156,307	2,133,695	22,612
Leisure time activities	45,980	51,800	49,454	2,346
Capital outlay	258,000	244,900	214,647	30,253
Total budgetary basis disbursements	<u>4,104,935</u>	<u>4,055,956</u>	<u>3,972,591</u>	<u>83,365</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(434,856)</u>	<u>506,817</u>	<u>570,785</u>	<u>63,968</u>
Other financing (uses):				
Transfers (out)	<u>(305,000)</u>	<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>
Total other financing (uses)	<u>(305,000)</u>	<u>(310,000)</u>	<u>(310,000)</u>	<u>-</u>
Net change in fund cash balances.	(739,856)	196,817	260,785	63,968
Fund cash balance at beginning of year	991,255	991,255	991,255	-
Prior year encumbrances appropriated	5,453	5,453	5,453	-
Fund cash balance at end of year.	<u>\$ 256,852</u>	<u>\$ 1,193,525</u>	<u>\$ 1,257,493</u>	<u>\$ 63,968</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking	Storm Water	Total
Assets:				
Equity in pooled cash and cash equivalents . .	\$ 941,893	\$ 465,367	\$ 283,777	\$ 1,691,037
Total assets	\$ 941,893	\$ 465,367	\$ 283,777	\$ 1,691,037
Net cash position:				
Restricted for debt service.	\$ -	\$ 465,367	\$ -	\$ 465,367
Unrestricted.	941,893	-	283,777	1,225,670
Total net cash position	\$ 941,893	\$ 465,367	\$ 283,777	\$ 1,691,037

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, 2016

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking	Storm Water	Total
Operating receipts:				
Charges for services	\$ 2,377,680	\$ 146,741	\$ 215,417	\$ 2,739,838
Tap-in fees	445,029	-	-	445,029
Other	186,171	-	-	186,171
Total operating receipts	3,008,880	146,741	215,417	3,371,038
Operating disbursements:				
Personal services	1,334,140	-	11,677	1,345,817
Contractual services	-	-	122,917	122,917
Materials and supplies	1,272,596	-	116,485	1,389,081
Capital outlay	415,665	184,891	1,158	601,714
Total operating disbursements	3,022,401	184,891	252,237	3,459,529
Operating income (loss)	(13,521)	(38,150)	(36,820)	(88,491)
Nonoperating receipts (disbursements):				
Investment receipts	-	57	-	57
Loan proceeds	209,383	-	-	209,383
Grants	-	285,445	-	285,445
Principal retirement	-	(229,314)	-	(229,314)
Interest and fiscal charges	-	(40,495)	-	(40,495)
Total nonoperating receipts (disbursements)	209,383	15,693	-	225,076
Change in net cash position	195,862	(22,457)	(36,820)	136,585
Net cash position at beginning of year	746,031	487,824	320,597	1,554,452
Net cash position at end of year	\$ 941,893	\$ 465,367	\$ 283,777	\$ 1,691,037

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
AGENCY FUND
DECEMBER 31, 2016

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 250,601
Total assets	<u>\$ 250,601</u>
Net cash position:	
Unrestricted	\$ 250,601
Total net cash position	<u>\$ 250,601</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, 2016

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

These statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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:

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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.

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 2016, 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 2016.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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 2016.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City did not report any extraordinary and special items during 2016.

Q. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the City.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2016, the carrying amount of all City deposits was \$3,770,013. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$3,075,005 of the City's bank balance of \$3,325,005 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2016, 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	\$ 64,416	\$ 64,416

The weighted average maturity of investments is one day.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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, 2016:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
No-load money market mutual fund	\$ 64,416	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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,770,013
Investments	64,416
Total	<u>\$ 3,834,429</u>

<u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 1,892,791
Business-type activities	1,691,037
Agency fund	250,601
Total	<u>\$ 3,834,429</u>

NOTE 5 - LESSEE DISCLOSURE - LEASES

In prior years, the City entered into lease agreements for three police vehicles, a 2015 International TerraStar truck, a 2009 International 7400 truck and new copier equipment. The principal and interest payments made on these leases during 2016 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, 2016

NOTE 5 - LESSEE DISCLOSURE - LEASES - (Continued)

Principal and interest payments in 2016 totaled \$56,216 and \$4,243, respectively. Future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2017	\$ 21,030
2018	17,821
2019	<u>196</u>
Total minimum lease payments	39,047
Less: amount representing interest	<u>(1,786)</u>
Present value of future minimum lease payments	<u>\$ 37,261</u>

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2016, debt obligations consisted of the following:

Enterprise funds:

Ohio Public Works Commission (OPWC) Loans:

Principal outstanding	\$ 516,292
Interest rate	0.00%

Ohio Water Development Authority (OWDA) Loans:

Principal outstanding	\$ 2,425,394
Interest rate	0.20% - 5.45%

The City's debt obligations activity for the year ended December 31, 2016 was as follows:

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/16</u>	<u>Amounts Due in One Year</u>
<u>Business-type activities:</u>					
OPWC loans	\$ 563,906	\$ -	\$ (47,614)	\$ 516,292	\$ 47,614
OWDA loans	<u>2,378,191</u>	<u>228,903</u>	<u>(181,700)</u>	<u>2,425,394</u>	<u>83,689</u>
Total	<u>\$ 2,942,097</u>	<u>\$ 228,903</u>	<u>\$ (229,314)</u>	<u>\$ 2,941,686</u>	<u>\$ 131,303</u>

During 2016, a balance of \$19,520 owed to the City for OWDA loan #4782 was reduced to \$0 by the OWDA. The balance of \$19,520 was netted against the outstanding OWDA loans payable balance at December 31, 2015, and is included in additions of \$228,903 in the table above to remove the amount from the OWDA balance at December 31, 2016.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6 - DEBT OBLIGATIONS - (Continued)

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

Year Ending December 31,	OPWC Loans		
	Principal	Interest	Total
2017	\$ 47,614	\$ -	\$ 47,614
2018	47,612	-	47,612
2019	47,614	-	47,614
2020	20,548	-	20,548
2021	20,548	-	20,548
2022 - 2026	102,741	-	102,741
2027 - 2031	102,741	-	102,741
2032 - 2036	79,583	-	79,583
2037 - 2041	47,291	-	47,291
Totals	<u>\$ 516,292</u>	<u>\$ -</u>	<u>\$ 516,292</u>

The City has six 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.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the sewage disposal bond retirement enterprise fund. The debt is payable solely from net revenues and are payable through 2029. Annual principal payments on the debt issues are expected to require 41.85 percent of net revenues. Principal paid for the current year and total net revenues were \$181,700 and \$196,741, respectively.

Should the utility facilities have insufficient receipts to repay these loans, they are secured by the full faith, credit, and resources of the City. One OWDA loan was 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 loan was \$1,288,452 at December 31, 2016. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2017	\$ 83,689	\$ 45,564	\$ 129,253
2018	86,863	42,389	129,252
2019	90,175	39,076	129,251
2020	93,634	35,620	129,254
2021	97,241	32,010	129,251
2022 - 2026	508,687	100,664	609,351
2027 - 2029	176,653	11,553	188,206
Totals	<u>\$ 1,136,942</u>	<u>\$ 306,876</u>	<u>\$ 1,443,818</u>

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 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, 2016 and for which there is an enforceable legal claim. For 2016, 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, 2016 was \$7.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$	86,861,670
Commercial/industrial/mineral		13,120,330
Public utility personal property		<u>7,669,310</u>
Total assessed value	\$	<u><u>107,651,310</u></u>

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 2016, the income tax was received in the general fund.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>2.0</u>	<u>2.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$241,431 for 2016.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

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

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$240,782 for 2016.

Net Pension Liabilities

The net pension liability for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F Police</u>	<u>OP&F Fire</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,815,051	\$ 2,350,828	\$ 1,569,423	\$ 6,735,302
Proportion of the the Net Pension Liability prior measurement date	0.016453%	0.033766%	0.024531%	
Proportion of the the Net Pension Liability current measurement date	0.016252%	0.036543%	0.024396%	

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

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

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 4,485,064	\$ 2,815,051	\$ 1,406,448

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 and 3.00 percent simple

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

The most recent experience study was completed for the five-year period ended December 31, 2011. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2012 actuarial valuation.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income *	20.00	1.62	5.35
Global Inflation			
Protected Securities *	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	<u>120.00 %</u>		

* levered 2x

** numbers include inflation

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 5,170,283	\$ 3,920,251	\$ 2,861,347

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$40,238, \$37,515, and \$40,355, respectively.

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 postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$3,880 and \$2,068 for the year ended December 31, 2016, \$4,069 and \$2,231 for the year ended December 31, 2015, and \$3,731 and \$2,200, for the year ended December 31, 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 \$1,635.01 for family coverage, \$1,164.16 for employee spouse coverage, \$894.03 for employee child coverage, and \$529.64 for single coverage. Dental premiums were \$56.00 for all coverage types. Vision premiums were \$16.75 for family coverage, \$11.93 for employee spouse coverage, \$9.18 for employee child coverage, and \$5.43 for single coverage. Employees are required to pay 19.78% of the family coverage total each month and the City pays the remainder.

B. Workers' Compensation

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

C. Comprehensive

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, 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.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 12 - CONTINGENCIES

A. Federal and State Grants

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

B. Litigation

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

NOTE 13 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	\$ <u>310,000</u>
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Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a component of fund cash balance (cash basis), and some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis). At December 31, 2016, the encumbrances outstanding at year end (budgetary basis) amounted to \$0 for the general fund. At December 31, 2016, 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2018, 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-002 and 2017-003 to be material weaknesses.

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 is described in the accompanying schedule of findings as item 2017-001 and 2017-004.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 12, 2018

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

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

Finding Number	2017-001
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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 2016 and 2017, 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 Section 117.38 and various other administrative remedies may be taken against the City.

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

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

Finding Number	2017-002
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Material Weakness – Sewer Billings and Collections

U.S. Attestation Standards (clarified) Section 320 (AT-C 320) codifies standards for reporting on an Examination of Controls at service organizations. An unmodified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with AT-C 320 should help provide the City with reasonable assurance that sewer billings and collections conform to the contract.

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.

Aqua Utility Services processed \$762,443 in 2016 and \$845,444 in 2017 in utility receipts for the City. Due to the lack of controls over the billing and collections of these receipts we were unable to determine if sewer bills and collections were processed properly.

**Finding Number - 2017-002
(Continued)**

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

The City Auditor performed some analytical procedures and reviews during part of 2016 and 2017. The City should continue implementing reviews and controls over utility billings and collections. The City should 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.

Additionally, we recommend the City request 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.

Officials' Response: The City has obtained read-only access to various reports and information on Aqua's computer system related to the City's billing. This access should provide the City with some ability to gain assurances over completeness and accuracy.

Finding Number	2017-003
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MATERIAL WEAKNESS – Inaccurate Amounts reported for Debt during 2016 and 2017

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City has loans with Ohio Water Development Authority (OWDA). The OWDA takes payments electronically from the City's Sinking Fund bank account on the last day of June and the last day of December each year.

The filed financial statements had errors due to not recording the December payments in the proper fiscal year.

The following misstatements were identified in the 2016 financial statements:

- Stated Principal was understated by \$91,247.
- Stated Interest was understated by \$21,899.

**Finding Number - 2017-003
(Continued)**

There were also immaterial errors in the 2017 principal and interest accounts and the note disclosures and MD&A contained timing errors.

These misstatements were corrected in the accompanying financial statements.

To help ensure the City's financial statements are complete and accurate, the City should adopt policies and procedures to identify and correct errors and omissions. In addition, the City should review the financial statements and notes prior to submission for audit.

Official's Response: An inaccurate amount was reported for debt during 2016/2017 due to a posting error. The City has implemented new procedures to ensure that all payments, debt or other, are reported as they occur. The City realizes the importance of correct and timely financial statements free from material misstatements. The City will work harder to maintain internal controls.

Finding Number	2017-004
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Finding For Recovery - Partially Repaid Under Audit

Angela Sharpe, former deputy clerk at the City of Struthers Clerk of Courts, collected revenue from fines, judgments and court fees in the Clerk's office. It was practice that deputy clerks issued computerized receipts to customers and maintained copies of the receipts in the customer's computerized case file and at the Clerk's office. In addition, deputy clerks possessed the ability to void receipts. When a receipt was voided, a reason for the adjustment was recorded in the customer's computerized corresponding case file.

The Court provided a list of all receipts Ms. Sharpe made during her employment in the Clerk's office. Ms. Sharpe voided 22 court receipts on 20 accounts totaling \$2,945. We noted four receipts totaling \$612 for which there was a payment made and credited to a customer's account; however, the payment was later voided off of the account and was not deposited.

In addition, Ms. Sharpe received \$823 in unemployment benefits upon her termination from the City of Struthers. Ms. Sharpe was terminated by the City on April 14, 2017, after the City discovered the issues; and therefore, Ms. Sharpe was not entitled to those benefits.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies converted or misappropriated totaling \$1,435 is hereby issued against Angela Sharpe and in favor of the City of Struthers Clerk of Courts.

As of December 12, 2018, Ms. Sharpe has repaid the City \$612.

Officials' Response: New procedures have been set in place to prevent future incidents in regards to software security and physical security in the Clerk of Courts office.

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**CITY OF STRUTHERS
MAHONING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Administrative Code Section 117-2-03 (B) – The City does not report on GAAP	Not Corrected	Reported again as finding 2017-001.
2015-002	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.	Not Corrected	Reported again as finding 2017-002.

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Dave Yost • Auditor of State

CITY OF STRUTHERS

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2019**