



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF STRUTHERS
MAHONING COUNTY**

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CITY OF STRUTHERS
MAHONING COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To City Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, 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 years ended December 31, 2019 and 2018, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2019 and 2018, and the respective changes in cash financial position and where applicable cash flows and the budgetary comparison for the General fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 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 other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". Also as discussed in Note 3 to the financial statements, during 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, "*Fiduciary Activities*". Also, as discussed in Note 15 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding these matters.

Other Matters

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

June 17, 2021

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (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, 2019, 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 2019 are as follows:

- The total net cash position of the City decreased \$954,725. Net cash position of governmental activities decreased \$409,726 or 17.92%. Net cash position of business-type activities decreased \$544,999 or 34.86%.
- General cash receipts accounted for \$4,243,904 or 74.94% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,418,900 or 25.06% of total governmental activities cash receipts.
- The City had \$6,072,530 in cash disbursements related to governmental activities; \$1,418,900 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$4,243,904 were not adequate to provide for these programs.
- The City's major governmental fund is the general fund. The general fund had cash receipts of \$4,253,398 and cash disbursements and other financing uses of \$4,754,974 in 2019. The fund cash balance of the general fund decreased from \$1,369,425 to \$867,849.
- 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 2019 by \$696,696 or 93.96%. Net cash position for the sewage disposal sinking fund increased in 2019 by \$48,284 or 11.13%. Net cash position for the storm water fund increased in 2019 by \$103,413 or 26.63%.

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.

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 2019?" 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.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

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 13-15 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 8.

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 16-17 of this report.

CITY OF STRUTHERS, OHIO

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

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 18 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 19-20 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 funds are custodial funds. The fiduciary fund statements can be found on pages 21-22 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 23-56 of this report.

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, 2019 and December 31, 2018. Net cash position has been restated as described in Note 3.

	Net Cash Position					
	Governmental	Business-type	Restated	Business-type	Total	Restated
	Activities	Activities	Governmental	Activities		Total
	2019	2019	2018	2018	2019	2018
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 1,877,035	\$ 1,018,493	\$ 2,286,761	\$ 1,563,492	\$ 2,895,528	\$ 3,850,253
Total assets	<u>1,877,035</u>	<u>1,018,493</u>	<u>2,286,761</u>	<u>1,563,492</u>	<u>2,895,528</u>	<u>3,850,253</u>
<u>Net cash position:</u>						
Restricted	993,696	481,931	903,881	433,647	1,475,627	1,337,528
Unrestricted	<u>883,339</u>	<u>536,562</u>	<u>1,382,880</u>	<u>1,129,845</u>	<u>1,419,901</u>	<u>2,512,725</u>
Total net cash position	<u>\$ 1,877,035</u>	<u>\$ 1,018,493</u>	<u>\$ 2,286,761</u>	<u>\$ 1,563,492</u>	<u>\$ 2,895,528</u>	<u>\$ 3,850,253</u>

At December 31, 2019, a portion of the City’s net cash position, \$1,475,627, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$1,419,901 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, 2019 (UNAUDITED)

The table below shows the changes in net cash position for 2019 and 2018. The 2019 beginning of year net cash position for governmental activities has been restated as described in Note 3.

	Change in Net Cash Position					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2019 Total	2018 Total
	2019	2019	2018	2018		
Cash receipts:						
Program cash receipts:						
Charges for services	\$ 634,969	\$ 2,508,142	\$ 548,522	\$ 3,045,475	\$ 3,143,111	\$ 3,593,997
Operating grants and contributions	751,011	237,077	768,903	107,526	988,088	876,429
Capital grants and contributions	32,920	-	28,936	-	32,920	28,936
Total program cash receipts	<u>1,418,900</u>	<u>2,745,219</u>	<u>1,346,361</u>	<u>3,153,001</u>	<u>4,164,119</u>	<u>4,499,362</u>
General cash receipts:						
Property and income taxes	3,815,143	-	4,015,596	-	3,815,143	4,015,596
Unrestricted grants	240,259	-	219,351	-	240,259	219,351
Loan proceeds	-	375,944	-	260,717	375,944	260,717
Investment receipts	3,856	50	4,697	52	3,906	4,749
Miscellaneous	184,646	-	203,635	-	184,646	203,635
Total general cash receipts	<u>4,243,904</u>	<u>375,994</u>	<u>4,443,279</u>	<u>260,769</u>	<u>4,619,898</u>	<u>4,704,048</u>
Total cash receipts	<u>5,662,804</u>	<u>3,121,213</u>	<u>5,789,640</u>	<u>3,413,770</u>	<u>8,784,017</u>	<u>9,203,410</u>
Cash disbursements:						
General government	1,937,260	-	1,918,404	-	1,937,260	1,918,404
Security of persons and property	2,527,499	-	2,341,894	-	2,527,499	2,341,894
Transportation	1,141,396	-	1,178,941	-	1,141,396	1,178,941
Public health services	39,344	-	38,367	-	39,344	38,367
Leisure time activities	89,580	-	89,398	-	89,580	89,398
Community environment	558	-	256	-	558	256
Capital outlay	336,893	-	372,022	-	336,893	372,022
Sewage disposal	-	3,213,042	-	2,854,326	3,213,042	2,854,326
Sewage disposal sinking	-	320,541	-	357,374	320,541	357,374
Storm water	-	132,629	-	186,959	132,629	186,959
Total cash disbursements	<u>6,072,530</u>	<u>3,666,212</u>	<u>5,939,282</u>	<u>3,398,659</u>	<u>9,738,742</u>	<u>9,337,941</u>
Change in net cash position	(409,726)	(544,999)	(149,642)	15,111	(954,725)	(134,531)
Net cash position at beginning of year (restated)	<u>2,286,761</u>	<u>1,563,492</u>	<u>2,251,694</u>	<u>1,548,381</u>	<u>3,850,253</u>	<u>3,800,075</u>
Net cash position at end of year	<u>\$ 1,877,035</u>	<u>\$ 1,018,493</u>	<u>\$ 2,102,052</u>	<u>\$ 1,563,492</u>	<u>\$ 2,895,528</u>	<u>\$ 3,665,544</u>

Governmental Activities

Governmental activities net cash position decreased \$409,726 or 17.92% in 2019. Both cash receipts and cash disbursements decreased in 2019, but disbursements outpaced receipts. The decrease in cash receipts is primarily due to a decline in income tax collections and State grants and entitlements. As the table above shows, cash disbursements in 2019 were generally consistent with the prior year with no significant increases or decreases.

General government represents activities related to the governing body, as well as activities that directly support City programs. In 2019, general government cash disbursements totaled \$1,937,260 or 31.90% of total governmental cash disbursements. General government programs were supported by \$390,073 in direct charges to users for services and \$12,828 in operating grants and contributions.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

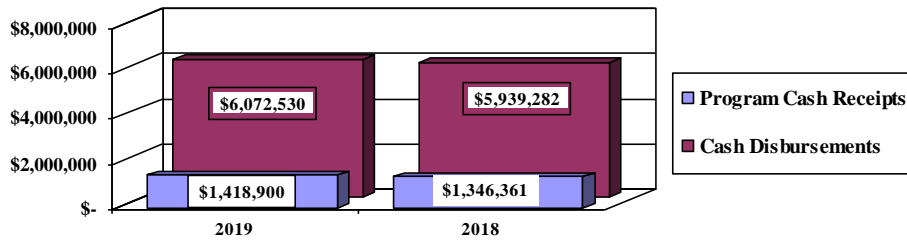
In 2019, security of persons and property cash disbursements totaled \$2,527,499 or 41.62% of total governmental cash disbursements. Security of persons and property programs were supported by \$228,009 in direct charges to users for services and \$175 in operating grants and contributions.

In 2019, transportation cash disbursements totaled \$1,141,396 or 18.80% of total governmental cash disbursements. Transportation programs were supported by \$729,425 in operating grants and contributions.

In 2019, capital outlay cash disbursements totaled \$336,893 or 5.55% of total governmental cash disbursements. Capital outlay programs were supported by \$32,920 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 2019.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2019 and 2018. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

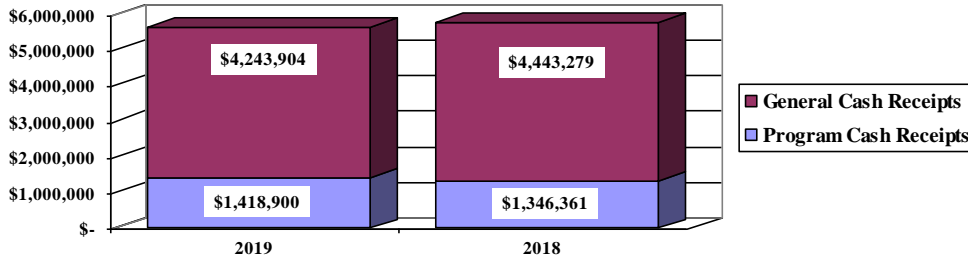
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2019	2019	2018	2018
Cash disbursements:				
Current:				
General government	\$ 1,937,260	\$ 1,534,359	\$ 1,918,404	\$ 1,602,679
Security of persons and property	2,527,499	2,299,315	2,341,894	2,086,140
Transportation	1,141,396	411,971	1,178,941	461,975
Public health services	39,344	32,149	38,367	30,029
Leisure time activities	89,580	72,693	89,398	74,423
Community environment	558	(830)	256	(5,411)
Capital outlay	336,893	303,973	372,022	343,086
Total	<u>\$ 6,072,530</u>	<u>\$ 4,653,630</u>	<u>\$ 5,939,282</u>	<u>\$ 4,592,921</u>

The dependence upon general cash receipts for governmental activities is apparent, as only 76.63% of cash disbursements in 2019 were supported by program cash receipts such as charges for services and operating grants and contributions.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

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 \$3,121,213 and cash disbursements of \$3,666,212 during 2019. The net cash position of the business-type activities decreased \$544,999 from 2018.

Financial Analysis of the City'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 reported a combined fund cash balance of \$1,877,035, which is \$409,726 less than last year's total of \$2,286,761. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2019 and December 31, 2018 (as restated) for all major and nonmajor governmental funds. See Note 3 for additional detail regarding the restatement.

	Fund Cash Balance <u>December 31, 2019</u>	Restated Fund Cash Balance <u>December 31, 2018</u>	<u>Change</u>
Major fund:			
General	\$ 867,849	\$ 1,369,425	\$ (501,576)
Nonmajor governmental funds	<u>1,009,186</u>	<u>917,336</u>	<u>91,850</u>
Total	<u>\$ 1,877,035</u>	<u>\$ 2,286,761</u>	<u>\$ (409,726)</u>

General Fund

The general fund had cash receipts and cash disbursements of \$4,253,398 and \$4,434,974, respectively, in 2019. These amounts exclude other financing sources and uses, which consisted of \$320,000 in transfers out. The fund cash balance of the general fund decreased \$501,576 from 2018 to 2019.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

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

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts:</u>				
Taxes	\$ 3,481,831	\$ 3,687,598	\$ (205,767)	(5.58) %
Intergovernmental	206,651	184,961	21,690	11.73 %
Special assessments	-	1,912	(1,912)	(100.00) %
Charges for services	520	391	129	32.99 %
License, permits and fees	375,894	418,494	(42,600)	(10.18) %
Investment receipts	3,856	4,697	(841)	(17.91) %
Miscellaneous	184,646	203,635	(18,989)	(9.33) %
Total	<u>\$ 4,253,398</u>	<u>\$ 4,501,688</u>	<u>\$ (248,290)</u>	(5.52) %

Overall cash receipts of the general fund decreased \$248,290 or 5.52%. Taxes, the main source of revenue for the general fund, decreased due to a decline in income tax collections. Licenses, permits and fees decreased due to a decline in court costs and court fines. Miscellaneous receipts consist primarily of various refunds and reimbursements.

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

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash disbursements:</u>				
General government	\$ 1,807,470	\$ 1,800,209	\$ 7,261	0.40 %
Security of persons and property	2,246,230	2,033,237	212,993	10.48 %
Leisure time activities	77,301	69,321	7,980	11.51 %
Capital outlay	303,973	343,086	(39,113)	(11.40) %
Total	<u>\$ 4,434,974</u>	<u>\$ 4,245,853</u>	<u>\$ 189,121</u>	4.45 %

Total cash disbursements of the general fund in 2019 were comparable to the prior year, increasing \$189,121 or 4.45%. This increase is primarily due to higher payroll related costs (wages, salaries and employee benefits).

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 2019, the original budgetary basis receipts for the general fund of \$3,975,494 were increased to \$4,219,102 in the final budget, mostly to account for an increase in refunds and other miscellaneous receipts. The actual budgetary basis receipts of \$4,253,398 was greater than the final budgeted amounts. The original budgetary basis disbursements and other financing uses were \$5,171,398, and the final budgetary basis disbursements and other financing uses were \$4,901,159. The actual budgetary basis disbursements and other financing uses of \$4,754,974 were less than the final budgeted amounts by \$146,185. This variance is a result of the City's conservative budgeting practices to ensure that all potential costs are accounted for in the final budget.

Enterprise Funds

The City's enterprise funds reported a combined net cash position of \$1,018,493, which is \$544,999 lower than last year's total of \$1,563,492.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

The table below indicates the net cash position and the total change in net cash position as of December 31, 2019 and December 31, 2018 for all enterprise funds.

	<u>Net Cash Position</u> <u>December 31, 2019</u>	<u>Net Cash Position</u> <u>December 31, 2018</u>	<u>Change</u>
Major funds:			
Sewage disposal	\$ 44,790	\$ 741,486	\$ (696,696)
Sewage disposal sinking	481,931	433,647	48,284
Storm water	<u>491,772</u>	<u>388,359</u>	<u>103,413</u>
Total	<u>\$ 1,018,493</u>	<u>\$ 1,563,492</u>	<u>\$ (544,999)</u>

Sewage Disposal Fund

The sewage disposal fund had operating cash receipts of \$2,140,402, operating cash disbursements of \$3,213,042, and nonoperating cash receipts of \$375,944 during 2019. The sewage disposal fund's net cash position decreased \$696,696 during 2019, mainly due to a decline in sewer charges.

Sewage Disposal Sinking Fund

The sewage disposal sinking fund had operating cash receipts of \$153,493, nonoperating cash receipts of \$215,332, and nonoperating cash disbursements of \$320,541 during 2019. The sewage disposal sinking fund's net cash position increased \$48,284 during 2019, mainly due to additional grant receipts from the County.

Storm Water Fund

The storm water fund had operating cash receipts of \$236,042 and operating cash disbursements of \$132,629 during 2019. The storm water fund's net cash position increased \$103,413 during 2019, mainly due to an increase in storm water fees and a decrease in disbursements for materials and supplies.

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. In 2019 the City had capital outlay cash disbursements of \$336,893 and \$680,264 for the governmental activities and business-type activities, respectively.

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 \$176,200 outstanding at December 31, 2019.

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, 2019. These loans are being repaid from resources of the enterprise operations. Principal payments in 2019 were \$264,382 related to these obligations. The balances of the OWDA loans and the OPWC loans at December 31, 2019 were \$2,823,106 and \$363,179, 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, 2019 (UNAUDITED)

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2020:

The City is located in Mahoning County, Ohio, which currently has an unemployment rate of 5.2%. Mahoning County's unemployment rate is currently higher than the national average of 3.6% and the State average of 4.2%. The closure of the General Motors plant in Lordstown, Ohio and changes to municipal income tax laws set by the State have adversely affected the City.

The City's total available resources (unencumbered fund balance plus estimated receipts) in the general fund for 2020 amount to \$4,383,176, which is the main consideration in determining the City's annual appropriations for 2020. 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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,877,035	\$ 1,018,493	\$ 2,895,528
Total assets.	<u>\$ 1,877,035</u>	<u>\$ 1,018,493</u>	<u>\$ 2,895,528</u>
Net cash position:			
Restricted for:			
General government operations	\$ 439,234	\$ -	\$ 439,234
Security of persons and property programs	242,905	-	242,905
Transportation projects	178,984	-	178,984
Public health services	13,116	-	13,116
Community environment projects	10,236	-	10,236
Revolving loan program.	107,370	-	107,370
Debt service	1,851	481,931	483,782
Unrestricted.	<u>883,339</u>	<u>536,562</u>	<u>1,419,901</u>
Total net cash position	<u>\$ 1,877,035</u>	<u>\$ 1,018,493</u>	<u>\$ 2,895,528</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government	\$ 1,937,260	\$ 390,073	\$ 12,828	\$ -
Security of persons and property.	2,527,499	228,009	175	-
Transportation	1,141,396	-	729,425	-
Public health services.	39,344	-	7,195	-
Leisure time activities	89,580	16,887	-	-
Community environment	558	-	1,388	-
Capital outlay.	336,893	-	-	32,920
Total governmental activities	6,072,530	634,969	751,011	32,920
Business-type activities:				
Sewage disposal	3,213,042	2,140,402	-	-
Sewage disposal sinking.	320,541	153,493	215,282	-
Storm water	132,629	214,247	21,795	-
Total business-type activities	3,666,212	2,508,142	237,077	-
Totals.	\$ 9,738,742	\$ 3,143,111	\$ 988,088	\$ 32,920

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 (restated).
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
\$ (1,534,359)	\$ -	\$ (1,534,359)
(2,299,315)	-	(2,299,315)
(411,971)	-	(411,971)
(32,149)	-	(32,149)
(72,693)	-	(72,693)
830	-	830
(303,973)	-	(303,973)
(4,653,630)	-	(4,653,630)
-	(1,072,640)	(1,072,640)
-	48,234	48,234
-	103,413	103,413
-	(920,993)	(920,993)
(4,653,630)	(920,993)	(5,574,623)
3,481,831	-	3,481,831
282,504	-	282,504
25,404	-	25,404
25,404	-	25,404
240,259	-	240,259
-	375,944	375,944
3,856	50	3,906
184,646	-	184,646
4,243,904	375,994	4,619,898
(409,726)	(544,999)	(954,725)
2,286,761	1,563,492	3,850,253
\$ 1,877,035	\$ 1,018,493	\$ 2,895,528

CITY OF STRUTHERS, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 867,849	\$ 1,009,186	\$ 1,877,035
Total assets	<u>\$ 867,849</u>	<u>\$ 1,009,186</u>	<u>\$ 1,877,035</u>
Fund cash balances:			
Nonspendable:			
Unclaimed monies	\$ 83	\$ -	\$ 83
Restricted:			
General government operations	-	439,234	439,234
Security of persons and property programs	-	242,905	242,905
Transportation projects	-	178,984	178,984
Public health services	-	13,116	13,116
Community environment projects	-	10,236	10,236
Revolving loan program	-	107,370	107,370
Debt service	-	1,851	1,851
Committed:			
Transportation projects	-	5,322	5,322
Leisure time activities	-	10,168	10,168
Underground storage tanks	11,000	-	11,000
Assigned:			
Subsequent year appropriations	778,893	-	778,893
Unassigned	<u>77,873</u>	<u>-</u>	<u>77,873</u>
Total fund cash balances	<u>\$ 867,849</u>	<u>\$ 1,009,186</u>	<u>\$ 1,877,035</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, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
Taxes	\$ 3,481,831	\$ 333,312	\$ 3,815,143
Intergovernmental	206,651	781,168	987,819
Special assessments	-	21,722	21,722
Charges for services	520	51,055	51,575
License, permits and fees	375,894	207,500	583,394
Investment receipts	3,856	1,388	5,244
Miscellaneous	184,646	13,261	197,907
Total cash receipts	<u>4,253,398</u>	<u>1,409,406</u>	<u>5,662,804</u>
Cash disbursements:			
Current:			
General government	1,807,470	129,790	1,937,260
Security of persons and property	2,246,230	281,269	2,527,499
Transportation	-	1,141,396	1,141,396
Public health services	-	39,344	39,344
Leisure time activities	77,301	12,279	89,580
Community environment	-	558	558
Capital outlay	303,973	32,920	336,893
Total cash disbursements	<u>4,434,974</u>	<u>1,637,556</u>	<u>6,072,530</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(181,576)</u>	<u>(228,150)</u>	<u>(409,726)</u>
Other financing sources (uses):			
Transfers in	-	320,000	320,000
Transfers (out)	<u>(320,000)</u>	<u>-</u>	<u>(320,000)</u>
Total other financing sources (uses)	<u>(320,000)</u>	<u>320,000</u>	<u>-</u>
Net change in fund cash balances	(501,576)	91,850	(409,726)
Fund cash balances			
at beginning of year (restated)	1,369,425	917,336	2,286,761
Fund cash balances at end of year	<u><u>\$ 867,849</u></u>	<u><u>\$ 1,009,186</u></u>	<u><u>\$ 1,877,035</u></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, 2019

	<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	\$ 3,387,794	\$ 3,476,831	\$ 3,481,831	\$ 5,000
Intergovernmental	178,000	177,438	206,651	29,213
Charges for services	300	520	520	-
License, permits and fees	405,400	375,894	375,894	-
Investment receipts	4,000	3,856	3,856	-
Miscellaneous	-	184,563	184,646	83
Total budgetary basis receipts	<u>3,975,494</u>	<u>4,219,102</u>	<u>4,253,398</u>	<u>34,296</u>
Budgetary basis disbursements:				
Current:				
General government	2,010,494	1,889,902	1,807,470	82,432
Security of persons and property	2,309,501	2,292,201	2,246,230	45,971
Leisure time activities	79,403	78,456	77,301	1,155
Capital outlay	452,000	320,600	303,973	16,627
Total budgetary basis disbursements	<u>4,851,398</u>	<u>4,581,159</u>	<u>4,434,974</u>	<u>146,185</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(875,904)</u>	<u>(362,057)</u>	<u>(181,576)</u>	<u>180,481</u>
Other financing (uses):				
Transfers (out)	(320,000)	(320,000)	(320,000)	-
Total other financing (uses)	<u>(320,000)</u>	<u>(320,000)</u>	<u>(320,000)</u>	<u>-</u>
Net change in fund cash balances.	(1,195,904)	(682,057)	(501,576)	180,481
Fund cash balance at beginning of year	<u>1,358,425</u>	<u>1,358,425</u>	<u>1,358,425</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 162,521</u>	<u>\$ 676,368</u>	<u>\$ 856,849</u>	<u>\$ 180,481</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking	Storm Water	Total
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 44,790	\$ 481,931	\$ 491,772	\$ 1,018,493
Total assets	<u>\$ 44,790</u>	<u>\$ 481,931</u>	<u>\$ 491,772</u>	<u>\$ 1,018,493</u>
Net cash position:				
Restricted for debt service.	\$ -	\$ 481,931	\$ -	\$ 481,931
Unrestricted	<u>44,790</u>	<u>-</u>	<u>491,772</u>	<u>536,562</u>
Total net cash position	<u>\$ 44,790</u>	<u>\$ 481,931</u>	<u>\$ 491,772</u>	<u>\$ 1,018,493</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, 2019

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking	Storm Water	Total
Operating receipts:				
Charges for services	\$ 2,006,188	\$ 153,493	\$ 214,247	\$ 2,373,928
Tap-in fees	106,229	-	-	106,229
Other	27,985	-	-	27,985
Total operating receipts	2,140,402	153,493	214,247	2,508,142
Operating disbursements:				
Personal services	1,281,946	-	14,087	1,296,033
Contractual services	-	-	69,041	69,041
Materials and supplies	1,250,832	-	49,501	1,300,333
Capital outlay	680,264	-	-	680,264
Total operating disbursements	3,213,042	-	132,629	3,345,671
Operating income (loss)	(1,072,640)	153,493	81,618	(837,529)
Nonoperating receipts (disbursements):				
Investment receipts	-	50	-	50
Loan proceeds	375,944	-	-	375,944
Grants	-	215,282	21,795	237,077
Principal retirement	-	(264,382)	-	(264,382)
Interest and fiscal charges	-	(56,159)	-	(56,159)
Total nonoperating receipts (disbursements)	375,944	(105,209)	21,795	292,530
Change in net cash position	(696,696)	48,284	103,413	(544,999)
Net cash position at beginning of year	741,486	433,647	388,359	1,563,492
Net cash position at end of year	\$ 44,790	\$ 481,931	\$ 491,772	\$ 1,018,493

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 178,366
Total assets	<u>\$ 178,366</u>
Net cash position:	
Restricted for individuals and other governments.	\$ 178,366
Total net cash position	<u>\$ 178,366</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF CASH ADDITIONS, CASH DEDUCTIONS
AND CHANGES IN NET CASH POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2019

		<u>Custodial</u>
Cash additions:		
Court costs and fines collected for other governments.	\$	1,060,633
Deposits held on behalf of others		34,685
		<hr/>
Total cash additions		1,095,318
		<hr/>
Cash deductions:		
Court costs and fines distributed to other governments		1,042,332
Deposits distributed to others.		16,685
		<hr/>
Total cash deductions.		1,059,017
		<hr/>
Change in net cash position.		36,301
Net cash position at beginning of year		142,065
		<hr/>
Net cash position at end of year.	\$	178,366
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - DESCRIPTION OF THE CITY

The City of Struthers (the “City”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The City operates under a Council-Mayor form of government and provides the following services: public safety, public service, health, recreation, and development. Educational services are provided by the Struthers City School District. The Struthers City School District is a separate governmental entity, so its financial operations are not included in the City’s basic financial statements.

The City’s management believes the basic financial statements included in this report represent all of the funds over which City officials have the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D., these basic financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis basic financial statements contain items that are the same as, or similar to, those items in the basic financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The following are the more significant of the City’s accounting policies:

A. Reporting Entity

The City’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. For financial reporting purposes, the City’s basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed governing board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete. Based upon the application of these criteria, the City has no component units.

B. Basis of Presentation

The City’s basic financial statements consist of government-wide financial statements, including a statement of net position - cash basis and a statement of activities - cash basis, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the City as a whole, except for fiduciary funds.

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

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

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

C. Fund Accounting

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

Other governmental funds of the City are used to account for (a) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects, (b) financial resources that are restricted to disbursement for principal and interest, and (c) financial resources that are restricted to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets

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 custodial 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. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are custodial funds. The custodial funds account for fire recovery, VIP, and municipal court operations.

D. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The City's basic financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the basic financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when incurred. Any such modifications made by the City are described in the appropriate section of the notes to the basic financial statements.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these basic financial statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

E. Budgetary Process

All funds, except custodial 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 2019, 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. Investment receipts credited to the general fund in 2019 amounted to \$3,856 which includes \$2,291 assigned from other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the basic financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Capital Assets

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

H. Unpaid Vacation Leave and Sick Leave

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

I. Long-term Obligations

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

J. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net cash position is available.

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Inventories of Materials and Supplies and Prepaid Items

The City reports disbursements for inventories of materials and supplies and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

N. Interfund Receivables/Payables

The City reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying basic financial statements. The City did not report any advances in or advances out during 2019.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

O. Fund Cash Balance

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

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

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

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

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

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City did not report any extraordinary or special items during 2019.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Q. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the City has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84 "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90 "Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its fiduciary funds to determine the appropriate classification under GASB Statement No. 84. The implementation of GASB Statement No. 84 had the following effect on fund cash balances/net cash position as previously reported at December 31, 2018:

	Fund Cash Balances		Net Cash Position
	Nonmajor Governmental Funds	Total Governmental Funds	Governmental Activities
Fund cash balance/net cash position as previously reported	\$ 732,627	\$ 2,102,052	\$ 2,102,052
Reclassification of funds due to the implementation of GASB Statement No. 84	184,709	184,709	184,709
Restated fund cash balance/net cash position at December 31, 2018	\$ 917,336	\$ 2,286,761	\$ 2,286,761

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 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, 2019**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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, 2019

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, 2019, the carrying amount of all City deposits was \$3,007,777. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2019, \$2,761,469 of the City's bank balance of \$3,011,469 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 will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although 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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of December 31, 2019, 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	\$ 66,117	\$ 66,117

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, 2019:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
No-load money market mutual fund	\$ 66,117	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, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,007,777
Investments	<u>66,117</u>
Total	<u>\$ 3,073,894</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 1,877,035
Business-type activities	1,018,493
Custodial funds	<u>178,366</u>
Total	<u>\$ 3,073,894</u>

NOTE 5 - LESSEE DISCLOSURE - LEASES

The City has entered into lease agreements for four police vehicles, Motorola communication equipment, new copier equipment, a chipper and a bucket truck. The principal and interest payments made on these leases during 2019 are included as function cash disbursements in the basic financial statements of the governmental activities.

Principal and interest payments in 2019 totaled \$91,958 and \$7,257, respectively. Future lease payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u>
2020	\$ 54,430
2021	54,430
2022	53,729
2023	25,713
2024	<u>9,273</u>
Total minimum lease payments	197,575
Less: amount representing interest	<u>(21,375)</u>
Present value of future minimum lease payments	<u>\$ 176,200</u>

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2019, debt obligations consisted of the following:

Enterprise funds:

Ohio Public Works Commission (OPWC) Loans:

Principal outstanding	\$ 363,179
Interest rate	0.00%

Ohio Water Development Authority (OWDA) Loans:

Principal outstanding	\$ 2,823,106
Interest rate	0.20% - 5.45%

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 - DEBT OBLIGATIONS - (Continued)

Should the utility facilities have insufficient receipts to repay these loans, they are secured by the full faith, credit, and resources of the City. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

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 was \$1,946,891 at December 31, 2019. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2020	\$ 93,634	\$ 35,620	\$ 129,254
2021	97,241	32,010	129,251
2022	101,009	28,243	129,252
2023	104,943	24,310	129,253
2024	109,051	20,203	129,254
2025 - 2029	<u>370,337</u>	<u>39,461</u>	<u>409,798</u>
Totals	<u>\$ 876,215</u>	<u>\$ 179,847</u>	<u>\$ 1,056,062</u>

On November 5, 2019, the voters of the City of Struthers passed a \$2,000,000 bond levy for constructing, furnishing, equipping and improving a new fire station.

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. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 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, 2019 and for which there is an enforceable legal claim. For 2019, 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.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 7 - PROPERTY TAX - (Continued)

The full tax rate for all City operations for the year ended December 31, 2019 was \$7.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2019 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 79,581,250
Commercial/industrial/mineral	13,700,280
Public utility personal property	<u>8,099,690</u>
Total assessed value	<u>\$ 101,381,220</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 2019, the income tax was received in the general fund.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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):

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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 3.00% 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 3.00%.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 1.00% 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 3.00% 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:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2019 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee ***	10.0 %	*	**
2019 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</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>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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 and Member-Directed Plan was \$331,769 for 2019.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 OP&F 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 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 OP&F 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 3.00% 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 3.00% of their base pension or disability benefit.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
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 \$289,165 for 2019.

Net Pension Liabilities/Assets

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	<u>OPERS - Traditional</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01634200%	0.00000000%	0.05904300%	
Proportion of the net pension liability/asset current measurement date	<u>0.01588400%</u>	<u>0.00244500%</u>	<u>0.05599800%</u>	
Change in proportionate share	<u>-0.00045800%</u>	<u>0.00244500%</u>	<u>-0.00304500%</u>	
Proportionate share of the net pension liability	\$ 4,350,306	\$ -	\$ 4,570,916	\$ 8,921,222
Proportionate share of the net pension asset	-	56	-	56

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

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	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. 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 expected 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 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 2.94% for 2018.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. 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/Asset 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 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,426,666	\$ 4,350,306	\$ 2,624,831
Member-Directed Plan	(24)	(56)	(98)

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, are presented below.

Valuation date	1/1/18 with actuarial liabilities rolled forward to 12/31/18
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%, plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

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 OP&F’s Board and were effective beginning with the January 1, 2018 actuarial valuation.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 and Guidelines. 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 average 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 OP&F's target asset allocation as of December 31, 2018 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	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F'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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 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 8.00%. 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 8.00%. 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, 2019

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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 6,008,155	\$ 4,570,916	\$ 3,369,896

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (GASB) Statement No. 75.

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 information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

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 employer units, 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also 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.

Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$7,045 for 2019.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.01525000%	0.05904300%	
Proportion of the net OPEB liability current measurement date	<u>0.01488700%</u>	<u>0.05599800%</u>	
Change in proportionate share	<u>-0.00036300%</u>	<u>-0.00304500%</u>	
Proportionate share of the net OPEB liability	\$ 1,940,913	\$ 509,948	\$ 2,450,861

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

- The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 2,483,152	\$ 1,940,913	\$ 1,509,691

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 1,865,639	\$ 1,940,913	\$ 2,027,609

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on OPEB 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 OP&F's target asset allocation as of December 31, 2018, 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	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F'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 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total OPEB liability was calculated using the discount rate of 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 621,256	\$ 509,948	\$ 416,514

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

Changes Between Measurement Date and Report Date - Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City's net OPEB liability is expected to be significant.

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 \$2,091.89 for family coverage, \$1,489.47 for employee spouse coverage, \$1,143.87 for employee child coverage, and \$677.65 for single coverage. Dental premiums were \$56.00 for all coverage types. Vision premiums were \$19.70 for family coverage, \$12.92 for employee spouse coverage, \$13.24 for employee child coverage, and \$6.46 for single coverage. Employees are required to pay 20-25% of the premiums 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 2019, 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, 2019**

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, 2019, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	<u>\$ 320,000</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, 2019, funds included as part of the general fund (cash basis) had a total fund cash balance of \$11,083.

NOTE 15 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investment fluctuate with market conditions, and due to market volatility, the amount of the losses that will be recognized in subsequent periods, if any, cannot be determined. In addition the impact on the City's future operating costs, revenue, and any recovery from emergency funding, either federal or state, cannot be estimated.

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CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (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, 2018, 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 2018 are as follows:

- The total net cash position of the City decreased \$134,531. Net cash position of governmental activities decreased \$149,642 or 6.65%. Net cash position of business-type activities increased \$15,111 or 0.98%.
- General cash receipts accounted for \$4,443,246 or 76.75% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,346,341 or 23.25% of total governmental activities cash receipts.
- The City had \$5,939,282 in cash disbursements related to governmental activities; \$1,346,341 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$4,443,279 were not adequate to provide for these programs.
- The City's major governmental fund is the general fund. The general fund had cash receipts of \$4,501,688 and cash disbursements and other financing uses of \$4,620,853 in 2018. The fund cash balance of the general fund decreased \$119,165 from \$1,488,590 to \$1,369,425.
- 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 2018 by \$86,004 or 13.12%. Net cash position for the sewage disposal sinking fund decreased in 2018 by \$96,346 or 18.18%. Net cash position for the storm water fund increased in 2018 by \$25,453 or 7.01%.

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.

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 2018?" 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.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

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 67-69 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 62.

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 70-71 of this report.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

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 72 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 73-74 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 75 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 77-108 of this report.

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, 2018 and December 31, 2017.

	Net Cash Position					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	2018	2018	2017	2017	2018	2017
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 2,102,052	\$ 1,563,492	\$ 2,251,694	\$ 1,548,381	\$ 3,665,544	\$ 3,800,075
Total assets	<u>2,102,052</u>	<u>1,563,492</u>	<u>2,251,694</u>	<u>1,548,381</u>	<u>3,665,544</u>	<u>3,800,075</u>
<u>Net cash position:</u>						
Restricted	719,172	433,647	735,303	529,993	1,152,819	1,265,296
Unrestricted	<u>1,382,880</u>	<u>1,129,845</u>	<u>1,516,391</u>	<u>1,018,388</u>	<u>2,512,725</u>	<u>2,534,779</u>
Total net cash position	<u>\$ 2,102,052</u>	<u>\$ 1,563,492</u>	<u>\$ 2,251,694</u>	<u>\$ 1,548,381</u>	<u>\$ 3,665,544</u>	<u>\$ 3,800,075</u>

At December 31, 2018, a portion of the City's net cash position, \$1,152,819, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,512,725 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, 2018 (UNAUDITED)

The table below shows the changes in net cash position for 2018 and 2017.

	Change in Net Cash Position					
	Governmental	Business-type	Governmental	Business-type	2018	2017
	Activities	Activities	Activities	Activities	Total	Total
	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>Cash receipts:</u>						
Program cash receipts:						
Charges for services	\$ 548,522	\$ 3,045,475	\$ 513,069	\$ 3,137,672	\$ 3,593,997	\$ 3,650,741
Operating grants and contributions	768,903	107,526	654,645	176,739	876,429	831,384
Capital grants and contributions	28,936	-	31,974	-	28,936	31,974
Total program cash receipts	<u>1,346,361</u>	<u>3,153,001</u>	<u>1,199,688</u>	<u>3,314,411</u>	<u>4,499,362</u>	<u>4,514,099</u>
General cash receipts:						
Property and income taxes	4,015,596	-	4,131,315	-	4,015,596	4,131,315
Unrestricted grants	219,351	-	198,199	-	219,351	198,199
Loan proceeds	-	260,717	-	402,219	260,717	402,219
Investment receipts	4,697	52	-	48	4,749	48
Miscellaneous	203,635	-	211,459	-	203,635	211,459
Total general cash receipts	<u>4,443,279</u>	<u>260,769</u>	<u>4,540,973</u>	<u>402,267</u>	<u>4,704,048</u>	<u>4,943,240</u>
Total cash receipts	<u>5,789,640</u>	<u>3,413,770</u>	<u>5,740,661</u>	<u>3,716,678</u>	<u>9,203,410</u>	<u>9,457,339</u>
<u>Cash disbursements:</u>						
General government	1,918,404	-	1,591,570	-	1,918,404	1,591,570
Security of persons and property	2,341,894	-	2,536,503	-	2,341,894	2,536,503
Transportation	1,178,941	-	917,579	-	1,178,941	917,579
Public health services	38,367	-	33,659	-	38,367	33,659
Leisure time activities	89,398	-	80,169	-	89,398	80,169
Community environment	256	-	-	-	256	-
Miscellaneous	-	-	379	-	-	379
Capital outlay	372,022	-	221,899	-	372,022	221,899
Sewage disposal	-	2,854,326	-	3,440,055	2,854,326	3,440,055
Sewage disposal sinking	-	357,374	-	274,236	357,374	274,236
Storm water	-	186,959	-	145,043	186,959	145,043
Total cash disbursements	<u>5,939,282</u>	<u>3,398,659</u>	<u>5,381,758</u>	<u>3,859,334</u>	<u>9,337,941</u>	<u>9,241,092</u>
Change in net cash position	(149,642)	15,111	358,903	(142,656)	(134,531)	216,247
Net cash position at beginning 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>
Net cash position at end of year	<u>\$ 2,102,052</u>	<u>\$ 1,563,492</u>	<u>\$ 2,251,694</u>	<u>\$ 1,548,381</u>	<u>\$ 3,665,544</u>	<u>\$ 3,800,075</u>

Governmental Activities

Governmental activities net cash position decreased \$149,642 or 6.65% in 2018. Both cash receipts and cash disbursements increased in 2018, but disbursements outpaced receipts. The increase in cash receipts is primarily due to additional grant funding from the Ohio Public Works Commission for street resurfacing projects. As the table above shows, most of the increase in cash disbursements are reflected in general government and capital outlay disbursements. The increase in general government is a result of slight increases in employee wages and benefits costs throughout several departments, as well as an increase in court-related costs. Capital outlay disbursements increased due to equipment replacements and other capital improvements, Primarily for the police and fire departments.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

General government represents activities related to the governing body, as well as activities that directly support City programs. In 2018, general government cash disbursements totaled \$1,918,404 or 32.30% of total governmental cash disbursements. General government programs were supported by \$280,818 in direct charges to users for services and \$34,907 in operating grants and contributions.

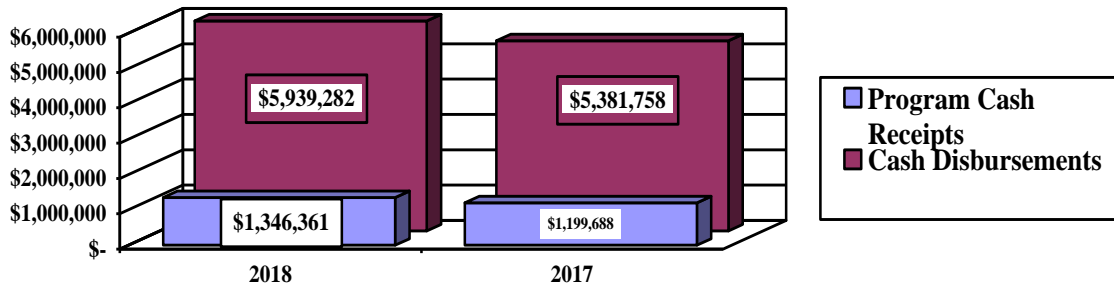
In 2018, security of persons and property cash disbursements totaled \$2,341,894 or 39.43% of total governmental cash disbursements. Security of persons and property programs were supported by \$252,729 in direct charges to users for services and \$3,025 in operating grants and contributions.

In 2018, transportation cash disbursements totaled \$1,178,941 or 19.85% of total governmental cash disbursements. Transportation programs were supported by \$716,966 in operating grants and contributions.

In 2018, capital outlay cash disbursements totaled \$372,022 or 6.26% of total governmental cash disbursements. Capital Outlay programs were supported by \$28,936 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 2018.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

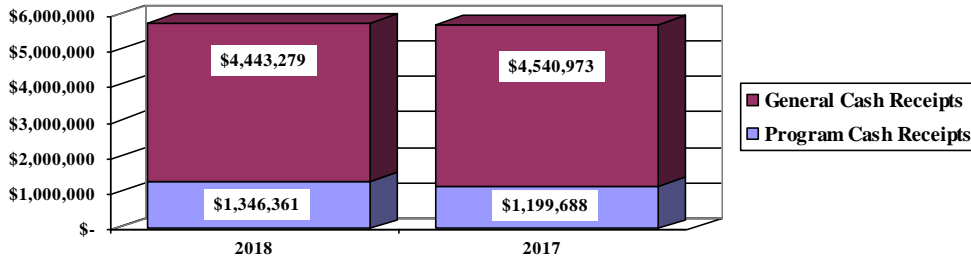
	Governmental Activities			
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Cash disbursements:				
Current:				
General government	\$ 1,918,404	\$ 1,602,679	\$ 1,591,570	\$ 1,361,070
Security of persons and property	2,341,894	2,086,140	2,536,503	2,251,433
Transportation	1,178,941	461,975	917,579	287,200
Public health services	38,367	30,029	33,659	28,764
Leisure time activities	89,398	74,423	80,169	63,744
Community environment	256	(5,411)	-	-
Miscellaneous	-	-	379	379
Revolving loans	-	-	-	(445)
Capital outlay	372,022	343,086	221,899	189,925
Total	<u>\$ 5,939,282</u>	<u>\$ 4,592,921</u>	<u>\$ 5,381,758</u>	<u>\$ 4,182,070</u>

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

The dependence upon general cash receipts for governmental activities is apparent, with 77.33% 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 \$3,413,770 and cash disbursements of \$3,398,659 during 2018. The net cash position of the business-type activities increased \$15,111 from 2017.

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 \$2,102,052, which is \$149,642 less than last year's total of \$2,251,694. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2018 and December 31, 2017 for all major and nonmajor governmental funds.

	Fund Cash Balance <u>December 31, 2018</u>	Fund Cash Balance <u>December 31, 2017</u>	<u>Change</u>
Major fund:			
General	\$ 1,369,425	\$ 1,488,590	\$ (119,165)
Nonmajor governmental funds	<u>732,627</u>	<u>763,104</u>	<u>(30,477)</u>
Total	<u>\$ 2,102,052</u>	<u>\$ 2,251,694</u>	<u>\$ (149,642)</u>

General Fund

The general fund had cash receipts and cash disbursements of \$4,501,688 and \$4,245,853, respectively, in 2018. These amounts exclude other financing sources and uses, which consisted of \$375,000 in transfers out. The fund cash balance of the general fund decreased \$119,165 from 2017 to 2018.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

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

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts:</u>				
Taxes	\$ 3,687,598	\$ 3,760,967	\$ (73,369)	(1.95) %
Intergovernmental	184,961	186,805	(1,844)	(0.99) %
Special assessments	1,912	1,250	662	52.96 %
Charges for services	391	469	(78)	(16.63) %
License, permits and fees	418,494	442,194	(23,700)	(5.36) %
Investment receipts	4,697	-	4,697	100.00 %
Miscellaneous	<u>203,635</u>	<u>211,459</u>	<u>(7,824)</u>	(3.70) %
Total	<u>\$ 4,501,688</u>	<u>\$ 4,603,144</u>	<u>\$ (101,456)</u>	(2.20) %

Overall cash receipts of the general fund decreased \$101,456 or 2.20%. Taxes, the main source of revenue for the general fund, decreased \$73,369 or 1.95% as both income tax and property tax collections decreased slightly in 2018. Licenses, permits and fees decreased due to a decline in court costs and court fines. The decrease in miscellaneous receipts is a result of a decrease in various refunds and reimbursements.

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

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash disbursements:</u>				
General government	\$ 1,800,209	\$ 1,552,317	\$ 247,892	15.97 %
Security of persons and property	2,033,237	2,249,377	(216,140)	(9.61) %
Leisure time activities	69,321	56,428	12,893	22.85 %
Capital outlay	<u>343,086</u>	<u>189,925</u>	<u>153,161</u>	80.64 %
Total	<u>\$ 4,245,853</u>	<u>\$ 4,048,047</u>	<u>\$ 197,806</u>	4.89 %

Overall cash disbursements of the general fund increased \$197,806 or 4.89%, mostly due to an increase in general government disbursements. This is a result of slight increases in employee wages and benefits costs throughout several departments, as well as an increase in court-related costs. Capital outlay disbursements increased by \$153,161 due to various capital improvements and equipment purchases, particularly for the police and fire departments.

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 2018, the original budgetary basis receipts for the general fund of \$4,135,714 were increased to \$4,642,063 in the final budget, mostly to account for increases in estimated income tax receipts and general refunds. The actual budgetary basis receipts of \$4,642,063 equaled the final budgeted amounts. The original budgetary basis disbursements and other financing uses were \$5,332,248, and the final budgetary basis disbursements and other financing uses were \$5,260,650. The actual budgetary basis disbursements and other financing uses of \$4,761,228 were less than the final budgeted amounts by \$499,422. This variance is a result of the City's conservative budgeting practices to ensure that all potential costs are accounted for in the final budget.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

Enterprise Funds

The City's enterprise funds reported a combined net cash position of \$1,563,492, which is \$15,111 more than last year's total of \$1,548,381.

The table below indicates the net cash position and the total change in net cash position as of December 31, 2018 and December 31, 2017 for all enterprise funds.

	<u>Net Cash Position December 31, 2018</u>	<u>Net Cash Position December 31, 2017</u>	<u>Change</u>
Major funds:			
Sewage disposal	\$ 741,486	\$ 655,482	\$ 86,004
Sewage disposal sinking	433,647	529,993	(96,346)
Storm water	<u>388,359</u>	<u>362,906</u>	<u>25,453</u>
Total	<u>\$ 1,563,492</u>	<u>\$ 1,548,381</u>	<u>\$ 15,111</u>

Sewage Disposal Fund

The sewage disposal fund had operating cash receipts of \$2,679,613, operating cash disbursements of \$2,854,326, and nonoperating cash receipts of \$260,717 during 2018. The sewage disposal fund's net cash position increased \$86,004 during 2018 from \$655,482 to \$741,486.

Sewage Disposal Sinking Fund

The sewage disposal sinking fund had operating cash receipts of \$153,450, nonoperating cash receipts of \$107,578, and nonoperating cash disbursements of \$357,374 during 2018. The sewage disposal sinking fund's net cash position decreased \$96,346 during 2018 from \$529,993 to \$433,647.

Storm Water Fund

The storm water fund had operating cash receipts of \$212,412, operating cash disbursements of \$186,959 during 2018. The storm water fund's net cash position increased \$25,453 during 2018 from \$362,906 to \$388,359.

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. In 2018 the City had capital outlay cash disbursements of \$372,022 and \$402,641 for the governmental activities and business-type activities, respectively.

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 \$154,051 outstanding at December 13, 2018.

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, 2018. These loans are being repaid from resources of the enterprise operations. Principal payments in 2018 were \$297,341 related to these obligations. The balances of the OWDA loans and the OPWC loans at December 31, 2018 were \$2,677,463 and \$397,260, respectively.

CITY OF STRUTHERS, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018 (UNAUDITED)

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

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for 2019:

The City is located in Mahoning County, Ohio, which currently has an unemployment rate of 4.9%. Mahoning County's unemployment rate is currently higher than the national average of 3.8% and the State average of 4.4%.

The City's total available resources (unencumbered fund balance plus estimated receipts) in the general fund for 2019 amount to \$5,333,919, which is the main consideration in determining the City's annual appropriations for 2019. 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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,102,052	\$ 1,563,492	\$ 3,665,544
Total assets.	<u>\$ 2,102,052</u>	<u>\$ 1,563,492</u>	<u>\$ 3,665,544</u>
Net cash position:			
Restricted for:			
General government operations	\$ 132,107	\$ -	\$ 132,107
Security of persons and property programs	195,886	-	195,886
Transportation projects	252,622	-	252,622
Public health services	19,930	-	19,930
Community environment projects	10,236	-	10,236
Revolving loan program.	106,540	-	106,540
Debt service	1,851	433,647	435,498
Unrestricted.	<u>1,382,880</u>	<u>1,129,845</u>	<u>2,512,725</u>
Total net cash position	<u>\$ 2,102,052</u>	<u>\$ 1,563,492</u>	<u>\$ 3,665,544</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Cash Disbursements	Program Cash Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government	\$ 1,918,404	\$ 280,818	\$ 34,907	\$ -
Security of persons and property.	2,341,894	252,729	3,025	-
Transportation	1,178,941	-	716,966	-
Public health services.	38,367	-	8,338	-
Leisure time activities	89,398	14,975	-	-
Community environment	256	-	5,667	-
Capital outlay.	372,022	-	-	28,936
Total governmental activities	<u>5,939,282</u>	<u>548,522</u>	<u>768,903</u>	<u>28,936</u>
Business-type activities:				
Sewage disposal	2,854,326	2,679,613	-	-
Sewage disposal sinking.	357,374	153,450	107,526	-
Storm water	186,959	212,412	-	-
Total business-type activities	<u>3,398,659</u>	<u>3,045,475</u>	<u>107,526</u>	<u>-</u>
Totals.	<u>\$ 9,337,941</u>	<u>\$ 3,593,997</u>	<u>\$ 876,429</u>	<u>\$ 28,936</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
\$ (1,602,679)	\$ -	\$ (1,602,679)
(2,086,140)	-	(2,086,140)
(461,975)	-	(461,975)
(30,029)	-	(30,029)
(74,423)	-	(74,423)
5,411	-	5,411
(343,086)	-	(343,086)
(4,592,921)	-	(4,592,921)
-	(174,713)	(174,713)
-	(96,398)	(96,398)
-	25,453	25,453
-	(245,658)	(245,658)
(4,592,921)	(245,658)	(4,838,579)
3,687,598	-	3,687,598
278,156	-	278,156
24,921	-	24,921
24,921	-	24,921
219,351	-	219,351
-	260,717	260,717
4,697	52	4,749
203,635	-	203,635
4,443,279	260,769	4,704,048
(149,642)	15,111	(134,531)
2,251,694	1,548,381	3,800,075
\$ 2,102,052	\$ 1,563,492	\$ 3,665,544

CITY OF STRUTHERS, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,369,425	\$ 732,627	\$ 2,102,052
Total assets	\$ 1,369,425	\$ 732,627	\$ 2,102,052
Fund cash balances:			
Restricted:			
General government operations	\$ -	\$ 132,107	\$ 132,107
Security of persons and property programs	-	195,886	195,886
Transportation projects	-	252,622	252,622
Public health services	-	19,930	19,930
Community environment projects	-	10,236	10,236
Revolving loan program.	-	106,540	106,540
Debt service	-	1,851	1,851
Committed:			
Transportation projects	-	7,895	7,895
Leisure time activities	-	5,560	5,560
Underground storage tanks	11,000	-	11,000
Assigned:			
Encumbrances - leisure time activities	52	-	52
Subsequent year appropriations	1,195,904	-	1,195,904
Unassigned	162,469	-	162,469
Total fund cash balances	\$ 1,369,425	\$ 732,627	\$ 2,102,052

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, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
Taxes	\$ 3,687,598	\$ 327,998	\$ 4,015,596
Intergovernmental	184,961	796,012	980,973
Special assessments	1,912	15,473	17,385
Charges for services	391	48,072	48,463
License, permits and fees	418,494	79,653	498,147
Investment receipts	4,697	1,062	5,759
Miscellaneous	203,635	19,682	223,317
Total cash receipts	<u>4,501,688</u>	<u>1,287,952</u>	<u>5,789,640</u>
Cash disbursements:			
Current:			
General government	1,800,209	118,195	1,918,404
Security of persons and property	2,033,237	308,657	2,341,894
Transportation	-	1,178,941	1,178,941
Public health services	-	38,367	38,367
Leisure time activities	69,321	20,077	89,398
Community environment	-	256	256
Capital outlay	343,086	28,936	372,022
Total cash disbursements	<u>4,245,853</u>	<u>1,693,429</u>	<u>5,939,282</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>255,835</u>	<u>(405,477)</u>	<u>(149,642)</u>
Other financing sources (uses):			
Transfers in	-	375,000	375,000
Transfers (out)	<u>(375,000)</u>	<u>-</u>	<u>(375,000)</u>
Total other financing sources (uses)	<u>(375,000)</u>	<u>375,000</u>	<u>-</u>
Net change in fund cash balances	(119,165)	(30,477)	(149,642)
Fund cash balances			
at beginning of year	1,488,590	763,104	2,251,694
Fund cash balances at end of year	<u>\$ 1,369,425</u>	<u>\$ 732,627</u>	<u>\$ 2,102,052</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 3,285,361	\$ 3,687,598	\$ 3,687,598	\$ -
Intergovernmental	164,786	184,961	184,961	-
Special assessments	1,703	1,912	1,912	-
Charges for services	348	391	391	-
License, permits and fees	372,845	418,494	418,494	-
Investment receipts	4,185	4,697	4,697	-
Miscellaneous	306,486	344,010	344,010	-
Total budgetary basis receipts	<u>4,135,714</u>	<u>4,642,063</u>	<u>4,642,063</u>	<u>-</u>
Budgetary basis disbursements:				
Current:				
General government	1,932,665	1,930,371	1,800,209	130,162
Security of persons and property	2,513,631	2,421,211	2,173,612	247,599
Leisure time activities	67,952	80,068	69,321	10,747
Capital outlay	468,000	434,000	343,086	90,914
Total budgetary basis disbursements	<u>4,982,248</u>	<u>4,865,650</u>	<u>4,386,228</u>	<u>479,422</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(846,534)</u>	<u>(223,587)</u>	<u>255,835</u>	<u>479,422</u>
Other financing (uses):				
Transfers (out)	<u>(350,000)</u>	<u>(395,000)</u>	<u>(375,000)</u>	<u>20,000</u>
Total other financing (uses)	<u>(350,000)</u>	<u>(395,000)</u>	<u>(375,000)</u>	<u>20,000</u>
Net change in fund cash balances	(1,196,534)	(618,587)	(119,165)	499,422
Fund cash balance at beginning of year	1,477,538	1,477,538	1,477,538	-
Prior year encumbrances appropriated	52	52	52	-
Fund cash balance at end of year	<u>\$ 281,056</u>	<u>\$ 859,003</u>	<u>\$ 1,358,425</u>	<u>\$ 499,422</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking	Storm Water	Total
Assets:				
Equity in pooled cash and cash equivalents . .	\$ 741,486	\$ 433,647	\$ 388,359	\$ 1,563,492
Total assets	<u>\$ 741,486</u>	<u>\$ 433,647</u>	<u>\$ 388,359</u>	<u>\$ 1,563,492</u>
Net cash position:				
Restricted for debt service.	\$ -	\$ 433,647	\$ -	\$ 433,647
Unrestricted	<u>741,486</u>	<u>-</u>	<u>388,359</u>	<u>1,129,845</u>
Total net cash position	<u>\$ 741,486</u>	<u>\$ 433,647</u>	<u>\$ 388,359</u>	<u>\$ 1,563,492</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, 2018

	Business-type Activities - Enterprise Funds			
	Sewage Disposal	Sewage Disposal Sinking	Storm Water	Total
Operating receipts:				
Charges for services	\$ 2,448,814	\$ 153,450	\$ 212,412	\$ 2,814,676
Tap-in fees	173,439	-	-	173,439
Other	57,360	-	-	57,360
Total operating receipts	2,679,613	153,450	212,412	3,045,475
Operating disbursements:				
Personal services	1,265,690	-	7,407	1,273,097
Contractual services	-	-	73,499	73,499
Materials and supplies	1,185,995	-	106,053	1,292,048
Capital outlay	402,641	-	-	402,641
Total operating disbursements	2,854,326	-	186,959	3,041,285
Operating income (loss)	(174,713)	153,450	25,453	4,190
Nonoperating receipts (disbursements):				
Investment receipts	-	52	-	52
Loan proceeds	260,717	-	-	260,717
Grants	-	107,526	-	107,526
Principal retirement	-	(297,341)	-	(297,341)
Interest and fiscal charges	-	(60,033)	-	(60,033)
Total nonoperating receipts (disbursements)	260,717	(249,796)	-	10,921
Change in net cash position	86,004	(96,346)	25,453	15,111
Net cash position at beginning of year	655,482	529,993	362,906	1,548,381
Net cash position at end of year	\$ 741,486	\$ 433,647	\$ 388,359	\$ 1,563,492

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF STRUTHERS, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
AGENCY FUND
DECEMBER 31, 2018

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 326,775
Total assets	<u>\$ 326,775</u>
Net cash position:	
Unrestricted	\$ 326,775
Total net cash position	<u>\$ 326,775</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, 2018

NOTE 1 - DESCRIPTION OF THE CITY

The City of Struthers (the "City") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The City operates under a Council-Mayor form of government and provides the following services: public safety, public service, health, recreation, and development. Educational services are provided by the Struthers City School District. The Struthers City School District is a separate governmental entity, so its financial operations are not included in the City's basic financial statements.

The City's management believes the basic financial statements included in this report represent all of the funds over which City officials have the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D., these basic financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis basic financial statements contain items that are the same as, or similar to, those items in the basic financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The following are the more significant of the City's accounting policies:

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". For financial reporting purposes, the City's basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed governing board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Based upon the application of these criteria, the City has no component units.

B. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position - cash basis and a statement of activities - cash basis, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the City as a whole, except for fiduciary funds.

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

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

C. Fund Accounting

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has no internal service funds, but does report the operations of various enterprise funds.

Enterprise funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The agency fund accounts for fire recovery, indigent driver, VIP, and municipal courts operations.

D. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The City's basic financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the basic financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when incurred. Any such modifications made by the City are described in the appropriate section of the notes to the basic financial statements.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these basic financial statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the line item level for all funds. Any budgetary modifications at this level may only be made by ordinance of the City Council.

The certificate of estimated resources may be amended during the year if the City Auditor projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statement reflect the amounts in the certificate of estimated resources when the City Council adopted the original appropriations. The amounts reported as the final budget in the budgetary statement reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations ordinance was passed by City Council.

The City Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriations ordinance for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriations ordinance the City Council passed during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. Investment receipts are allocated as authorized by State statute.

During 2018, 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. Investment receipts credited to the general fund in 2018 amounted to \$4,697 which includes \$2,579 assigned from other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the basic financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Capital Assets

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

H. Unpaid Vacation Leave and Sick Leave

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

I. Long-term Obligations

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

J. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net cash position is available.

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Inventories of Materials and Supplies and Prepaid Items

The City reports disbursements for inventories of materials and supplies and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

N. Interfund Receivables/Payables

The City reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying basic financial statements. The City did not report any advances in or advances out during 2018.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

O. Fund Cash Balance

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

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

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

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

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

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City did not report any extraordinary or special items during 2018.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Q. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the City has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures, as presented in Note 10 to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was \$3,927,032. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2018, \$3,667,218 of the City's bank balance of \$3,917,218 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 will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although 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, 2018, 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	\$ 65,287	\$ 65,287

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2018:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
No-load money market mutual fund	\$ 65,287	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, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,927,032
Investments	<u>65,287</u>
Total	<u>\$ 3,992,319</u>

<u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 2,102,052
Business-type activities	1,563,492
Agency fund	<u>326,775</u>
Total	<u>\$ 3,992,319</u>

NOTE 5 - LESSEE DISCLOSURE - LEASES

In prior years, the City entered into lease agreements for four police vehicles, Motorola communication equipment, new copier equipment and a 2015 International TerraStar truck. The principal and interest payments made on these leases during 2018 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, 2018

NOTE 5 - LESSEE DISCLOSURE - LEASES - (Continued)

Principal and interest payments in 2018 totaled \$88,985 and \$11,416, respectively. Future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2019	\$ 82,775
2020	28,717
2021	28,717
2022	28,016
Total minimum lease payments	168,225
Less: amount representing interest	<u>(14,174)</u>
Present value of future minimum lease payments	<u>\$ 154,051</u>

NOTE 6 - DEBT OBLIGATIONS

At December 31, 2018, debt obligations consisted of the following:

Enterprise funds:

Ohio Public Works Commission (OPWC) Loans:

Principal outstanding	\$ 397,260
Interest rate	0.00%

Ohio Water Development Authority (OWDA) Loans:

Principal outstanding	\$ 2,677,463
Interest rate	0.20% - 5.45%

The City's debt obligations activity for the year ended December 31, 2018 was as follows:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/18</u>	<u>Amounts Due in One Year</u>
<u>Business-type activities:</u>					
OPWC loans	\$ 468,678	\$ -	\$ (71,418)	\$ 397,260	\$ 34,081
OWDA loans	<u>2,642,669</u>	<u>260,717</u>	<u>(225,923)</u>	<u>2,677,463</u>	<u>90,175</u>
Total	<u>\$ 3,111,347</u>	<u>\$ 260,717</u>	<u>\$ (297,341)</u>	<u>\$ 3,074,723</u>	<u>\$ 124,256</u>

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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
2019	\$ 34,081	\$ -	\$ 34,081
2020	20,548	-	20,548
2021	20,548	-	20,548
2022	20,548	-	20,548
2023	20,549	-	20,549
2024 - 2028	102,740	-	102,740
2029 - 2033	91,162	-	91,162
2034 - 2038	79,584	-	79,584
2039 - 2040	7,500	-	7,500
Totals	<u>\$ 397,260</u>	<u>\$ -</u>	<u>\$ 397,260</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 109.55 percent of net revenues. Principal paid for the current year and total net revenues were \$285,956 and \$261,028, 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 \$1,140,851 for Loan #6250 and \$570,222 for Loan #7587 at December 31, 2018. The following is the future debt service requirements to retire the City's OWDA loans:

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
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	104,943	24,310	129,253
2024 - 2028	471,299	59,443	530,742
2029	8,089	221	8,310
Totals	<u>\$ 966,390</u>	<u>\$ 218,923</u>	<u>\$ 1,185,313</u>

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 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, 2018 and for which there is an enforceable legal claim. For 2018, 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, 2018 was \$7.00 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 79,601,990
Commercial/industrial/mineral	13,172,740
Public utility personal property	<u>8,047,270</u>
Total assessed value	<u>\$ 100,822,000</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 2018, 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, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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.

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	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
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

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2018 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits	<u>0.0 %</u>	<u>0.0 %</u>	<u>0.0 %</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>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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 \$302,303 for 2018.

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, 2018

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 2.50% 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
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2018 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 \$287,953 for 2018.

Net Pension Liabilities/Assets

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability or asset 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, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share:

	<u>OPERS - Traditional</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01588600%	0.05757300%	
Proportion of the net pension liability/asset current measurement date	<u>0.01634200%</u>	<u>0.05904300%</u>	
Change in proportionate share	<u>0.00045600%</u>	<u>0.00147000%</u>	
Proportionate share of the net pension liability	\$ 2,563,743	\$ 3,623,693	\$ 6,187,436

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, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. 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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 16.82% for 2017.

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 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

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. 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, 2018

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 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 (asset):			
Traditional Pension Plan	\$ 4,552,554	\$ 2,563,743	\$ 905,674

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% 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.

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.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 and Guidelines. 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 average 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, 2017 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	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income *	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
Global Inflation			
Protected Securities *	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F'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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 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 8.00%. A discount rate of 8.25% was used in the prior measurement period. 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 8.00%. 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, 2018

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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) 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	\$ 5,023,448	\$ 3,623,693	\$ 2,482,142

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (GASB) Statement No. 75.

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 information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

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 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also 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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$6,986 for 2018.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the net OPEB liability			
prior measurement date	0.01480692%	0.05757300%	
Proportion of the net OPEB liability			
current measurement date	<u>0.01525000%</u>	<u>0.05904300%</u>	
Change in proportionate share	<u>0.00044308%</u>	<u>0.00147000%</u>	
Proportionate share of the net OPEB liability	\$ 1,656,038	\$ 3,345,248	\$ 5,001,286

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$ 2,200,118	\$ 1,656,038	\$ 1,215,883

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,584,475	\$ 1,656,038	\$ 1,729,960

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on OPEB 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 OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
 Total	 120.00 %	

Note: Assumptions are geometric.

* levered 2x

OP&F'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 OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

CITY OF STRUTHERS, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 4,181,657	\$ 3,345,248	\$ 2,701,748

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate
Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,598,684	\$ 3,345,248	\$ 4,351,470

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 \$2,004.34 for family coverage, \$1,403.04 for employee spouse coverage, \$1,269.41 for employee child coverage, and \$668.11 for single coverage. Dental premiums were \$56.60 for all coverage types. Vision premiums were \$14.54 for family coverage, \$8.83 for employee spouse coverage, \$10.32 for employee child coverage, and \$4.65 for single coverage. Employees are required to pay 20-25% of the family coverage total each month and the City pays the remainder.

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

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

C. Comprehensive

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City obtained insurance through the Ohio Plan for various types of insurance coverage.

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

NOTE 12 - CONTINGENCIES

A. Federal and State Grants

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

B. Litigation

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

NOTE 13 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported in the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	<u>\$ 375,000</u>
-----------------------------	-------------------

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

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

CITY OF STRUTHERS, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018, funds included as part of the general fund (cash basis) had a total fund cash balance of \$11,000.



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**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 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, 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 years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2021, wherein we noted the City uses a special framework other than generally accepted accounting principles. We also noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and GASB Statement No. 84, "*Fiduciary Activities*". We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider finding 2019-002 described in the accompanying schedule of findings to be a material weakness.

Efficient • Effective • Transparent

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

City'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 subject the City's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

June 17, 2021

**CITY OF STRUTHERS
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 and 2018**

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

1. Filing GAAP Financial Statements

FINDING NUMBER 2019-001

NONCOMPLIANCE

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 Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The City prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Ohio Rev. Code § 117.38 further requires entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end.

The City was required to file their 2018 financial report with the Auditor of State via the Hinkle System on March 1, 2019, but did not file until June 18, 2019.

Pursuant to Ohio Rev. Code § 117.38 the City may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the City's ability to evaluate and monitor the overall financial condition of the City. To help provide the users with more meaningful financial statements, the City should prepare its annual financial statements timely and in according with generally accepted accounting principles.

The City should file their cash basis financial information in the Hinkle system within 60 days after the close of the fiscal year or if reporting on the proper GAAP-basis, within 150 days of the fiscal year end.

Official's Response:

At this time the City of Struthers does not have the resources to convert to GAAP.

2. Fiduciary Fund Balances

FINDING NUMBER 2019-002

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.

In 2018 the cash balance for the Court Fund was understated by \$77,384 and the payroll clearing account balance of \$913,505 was erroneously included in the Assets on the Statement of Fiduciary Net Position-Agency Fund. This resulted in the assets and net cash position being overstated by \$836,121 reducing the balance from \$1,162,895 to \$326,774.

In 2019 court costs and fines collected for other governments were understated by \$671,824 and Court costs and fines distributed to other governments were understated by \$729,822, resulting in an increase from \$388,809 to \$1,060,633 and from \$312,510 to \$1,042,332, respectively in the Statement of Cash Additions, Cash Deductions and Changes in Net Cash Position. In addition, net cash position at the beginning of the year was understated by \$77,384 increasing it from \$64,681 to \$142,065.

The financial statements reflect all of the adjustments listed above.

The lack of controls over the posting of financial transactions decreases the reliability of the financial statements, financial data at year-end and can result in undetected errors and irregularities.

The City should implement controls to help ensure all transactions are reviewed to help ensure accurate posting of receipts and disbursements.

Official's Response:

The City has implemented controls to help ensure all transactions are reviewed for accuracy.

3. Bank Reconciliations

FINDING NUMBER 2019-003

SIGNIFICANT DEFICIENCY

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and Council and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2019 and 2018. Failure to reconcile monthly increases the possibility that the City will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

In addition, the following internal control deficiencies were noted during the audit:

- City Council does not receive a copy of the monthly cash reconciliations showing bank balances compared to book balances.
- City Council does not receive comparability reports.

This lack of effective monitoring controls allowed undetected errors in the bank reconciliation, as well as allowing posting errors of revenue and expenditures. Failure to establish internal controls also increases fraud risk.

The Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Additionally, the City should develop internal controls which may help ensure that timely financial information is made available to allow key decision makers, such as Council the ability to make fiscally responsible decisions.

Official's Response:

The Administration is actively in the process of providing an updated guidance to the expectations and requirements for the Treasurer. This will include requiring monthly reconciliations be presented to Council.

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City of Struthers

Municipal Building

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2017-001	Noncompliance Citation –Ohio Rev. Code § 117.38-Did not file GAAP.	Not Corrected	<i>The City was behind due to pandemic. The City is actively working to ensure timely filing.</i>
2017-002	Material Weakness – Sewer Billings and Collections- No SOC 1 or analytics.	Partially Corrected	<i>The City will continue to request a SOC 1. We are actively working on a process to review billing to ensure correctness.</i>
2017-003	Material Weakness – Inaccurate Amounts reported for Debt during 2016 and 2017	Fully Corrected	
2017-004	Finding For Recovery - Partially Repaid Under Audit	Finding No Longer Valid	<i>The City law Director is attempting to collect through the court system.</i>

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF STRUTHERS

MAHONING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/20/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov