

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

BRIAN RELLA, TREASURER



Dave Yost • Auditor of State

Board of Education
Struthers City School District
99 Euclid Ave
Struthers, OH 44471

We have reviewed the *Independent Auditor's Report* of the Struthers City School District, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Struthers City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 7, 2017

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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Struthers City School District
Mahoning County
99 Euclid Avenue
Struthers, Ohio 44471

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Struthers City School District'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 accounting principles generally accepted in the United States of America; this includes 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 Struthers City School District'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 Struthers City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General funds thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Struthers City School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017, on our consideration of the Struthers City School District'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 Struthers City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
January 27, 2017

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

This discussion and analysis of Struthers City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased by \$701,153 to a \$976,412, an increase from the fiscal year 2015 balance of \$275,259.
- Revenues for governmental activities totaled \$22,465,063 in fiscal year 2016. Of this total, 81 percent consisted of general revenues while program revenues accounted for the balance of 19 percent.
- Program expenses totaled \$21,763,910. Instructional expenses made up 61 percent of this total while support services accounted for 30 percent. Other expenses rounded out the remaining 9 percent.
- The School District's only major governmental fund is the general fund. The general fund had \$19,462,349 in revenues and \$18,365,001 in expenditures, excluding other financing sources and uses. During fiscal year 2016, the general fund balance increased \$1,097,348, or 16 percent.
- The School District's net pension liability increased to \$25,334,861. For more information on this liability see Note 13 to the basic financial statements.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Struthers City School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Struthers City School District, the general fund is the most significant.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Position and the Statement of Activities, all activities of the School District are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service funds, account for employee benefits and workers compensation.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Fiduciary Funds The School District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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 School District as a Whole

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2016 compared to 2015:

Net Position (Table 1)			
Governmental Activities			
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Assets			
Current and Other Assets	\$18,988,877	\$17,953,030	\$1,035,847
Capital Assets, Net	<u>17,131,481</u>	<u>18,067,970</u>	<u>(936,489)</u>
<i>Total Assets</i>	<u>36,120,358</u>	<u>36,021,000</u>	<u>99,358</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	38,683	44,711	(6,028)
Pension	<u>2,546,521</u>	<u>1,654,828</u>	<u>891,693</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,585,204</u>	<u>1,699,539</u>	<u>885,665</u>
Liabilities			
Current Liabilities	2,444,404	2,330,172	114,232
Long-Term Liabilities			
Due within One Year	337,754	499,860	(162,106)
Due in More than One Year:			
Net Pension Liability	25,334,861	22,695,631	2,639,230
Other Amounts	<u>2,961,382</u>	<u>3,119,919</u>	<u>(158,537)</u>
<i>Total Liabilities</i>	<u>31,078,401</u>	<u>28,645,582</u>	<u>2,432,819</u>
Deferred Inflows of Resources			
Property Taxes	4,659,310	4,681,679	(22,369)
Pension	<u>1,991,439</u>	<u>4,118,019</u>	<u>(2,126,580)</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,650,749</u>	<u>8,799,698</u>	<u>(2,148,949)</u>
Net Position			
Net Investment in Capital Assets	15,296,938	15,994,351	(697,413)
Restricted	2,911,440	2,865,909	45,531
Unrestricted (Deficit)	<u>(17,231,966)</u>	<u>(18,585,001)</u>	<u>1,353,035</u>
<i>Total Net Position</i>	<u>\$976,412</u>	<u>\$275,259</u>	<u>\$701,153</u>

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The net pension liability (NPL) is the largest single liability reported by the District and is reported pursuant to GASB Statement No 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions manually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB No. 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the District, part of a bargained-for benefit to the employee, and should accordingly be reported by the District as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the District. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

Total assets increased by \$99,358. The majority of this increase can be attributed to an increase in property taxes receivable.

Total liabilities increased by \$2,432,819 due mostly to an increase in the net pension liability.

Deferred inflows of resources decreased \$2,148,949 due to a decrease in inflows related to pension. By comparing assets, deferred outflows of resources, liabilities and deferred inflows of resources, one can see the overall position of the School District has increased \$701,153.

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

Table 2
Change in Net Position

	2016	2015	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$2,101,319	\$2,082,827	\$18,492
Operating Grants and Contributions	2,198,812	2,707,678	(508,866)
<i>Total Program Revenues</i>	<u>4,300,131</u>	<u>4,790,505</u>	<u>(490,374)</u>
General Revenues			
Property Taxes	4,651,468	4,854,178	(202,710)
Intergovernmental	13,337,922	12,827,878	510,044
Investment Earnings	33,981	4,645	29,336
Miscellaneous	141,561	122,749	18,812
<i>Total General Revenues</i>	<u>18,164,932</u>	<u>17,809,450</u>	<u>355,482</u>
<i>Total Revenues</i>	<u>22,465,063</u>	<u>22,599,955</u>	<u>(134,892)</u>

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2 (continued)
Change in Net Position

	2016	2015	Change
Program Expenses			
Current:			
Instruction	\$13,278,240	\$13,084,752	\$193,488
Support Services:			
Pupils	948,456	821,508	126,948
Instructional Staff	524,323	448,355	75,968
Board of Education	126,724	102,164	24,560
Administration	1,809,650	1,639,130	170,520
Fiscal	412,042	394,017	18,025
Business	36,787	36,917	(130)
Operation and Maintenance of Plant	2,113,633	2,306,916	(193,283)
Pupil Transportation	517,668	450,613	67,055
Central	17,347	22,283	(4,936)
Operation of Non-Instructional Services	132,651	118,313	14,338
Operation of Food Services	958,008	803,645	154,363
Extracurricular Activities	781,466	747,707	33,759
Interest and Fiscal Charges	106,915	121,368	(14,453)
Total Program Expenses	21,763,910	21,097,688	666,222
Change in Net Position	701,153	1,502,267	(801,114)
Net Position Beginning of Year	275,259	(1,227,008)	1,502,267
Net Position End of Year	\$976,412	\$275,259	\$701,153

Governmental Activities

Net position of the School District's governmental activities increased \$701,153. Total governmental expenses of \$21,763,910 were offset by program revenues of \$4,300,131 and general revenues of \$18,164,932. Program revenues supported 20 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 80 percent of total governmental revenue.

The largest expense of the School District is for instructional programs. Instructional expenses totaled \$13,278,240 or 61 percent of total governmental expenses for fiscal year 2016.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,891,221	\$7,105,380	\$8,662,466	\$6,894,587
Special	3,119,386	2,171,587	3,141,175	1,891,543
Vocational	300,767	266,984	276,153	205,782
Other	966,866	966,866	1,004,958	1,004,958
Support Services:				
Pupils	948,456	948,456	821,508	821,508
Instructional Staff	524,323	481,673	448,355	347,275
Board of Education	126,724	126,174	102,164	102,114
Administration	1,809,650	1,640,817	1,639,130	1,379,907
Fiscal	412,042	407,462	394,017	389,628
Business	36,787	36,787	36,917	36,917
Operation and Maintenance of Plant	2,113,633	2,113,633	2,306,916	2,286,106
Pupil Transportation	517,668	504,795	450,613	442,040
Central	17,347	17,347	22,283	22,283
Operation of Non-Instructional Services	132,651	(13,441)	118,313	(42,801)
Food Service Operation	958,008	108,130	803,645	(15,184)
Extracurricular Activities	781,466	474,214	747,707	419,152
Interest and Fiscal Charges	106,915	106,915	121,368	121,368
<i>Total Expenditures</i>	<u>\$21,763,910</u>	<u>\$17,463,779</u>	<u>\$21,097,688</u>	<u>\$16,307,183</u>

The dependence upon property taxes and other general revenues for governmental activities is apparent. For all governmental activities expenses, general revenue support is 83 percent. The School District's taxpayers, as a whole, are by far the primary support for the School District's students.

The School District's Funds

Information regarding the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,138,081 to offset expenditures of \$21,630,930. The net change in fund balance for the year was most significant in the general fund, which increased \$1,097,348. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 69 percent and 21 percent respectively, of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Struthers City School District.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the School District amended its general fund budget as needed. For the general fund, original budgeted revenues and other financing sources were \$18,797,245 and final budgeted revenues were \$18,882,175. Actual revenues and other financing sources for fiscal year 2016 were \$19,572,787. This represents an increase of \$690,612 from final budgeted revenues.

General fund original appropriations of \$18,555,635 were amended to \$19,855,562 in the final appropriation. The actual budget basis expenditures for fiscal year 2016, including transfers and advances, totaled \$19,079,386, which were \$776,176 less than final budgeted appropriations and \$523,751 more than original budgeted appropriations. These variances are due to a conservative approach to budgeting taken by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$17,131,481 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks.

Table 4 shows fiscal year 2016 balances compared to fiscal year 2015:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	<u>2016</u>	<u>2015</u>
Land	\$422,600	\$422,600
Land Improvements	765,582	831,870
Buildings and Improvements	15,505,910	16,316,118
Furniture and Equipment	260,868	278,004
Vehicles	<u>176,521</u>	<u>219,378</u>
<i>Total</i>	<u><u>\$17,131,481</u></u>	<u><u>\$18,067,970</u></u>

All capital assets, except land, are reported net of depreciation. The overall decrease in capital assets of \$936,489 is due to current year depreciation of \$1,288,686 exceeding capital outlays of \$352,197 during the fiscal year. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Long-Term Obligations

Table 5 summarizes the School District's long-term obligations outstanding at fiscal year end.

Table 5
Outstanding Long-Term Obligations at Year End

	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$2,027,564	\$2,374,649
Early Retirement Incentive	0	12,096
Compensated Absences	1,271,572	1,233,034
Net Pension Obligation	<u>25,334,861</u>	<u>22,695,631</u>
<i>Total</i>	<u>\$28,633,997</u>	<u>\$26,315,410</u>

At June 30, 2016, the School District had \$2,027,564 in general obligation bonds, \$1,271,572 in compensated absences outstanding. Of this total, \$337,754 is due within one year and the rest is due in more than one year. In addition, the School District's net pension liability at the end of the fiscal year was \$25,334,861. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

Current Financial Issues

Struthers City School District has a moderate financial outlook due to its dependence upon grants and State entitlements coupled with an over reliance on taxes for the School District coming from local residents as well as business and industry amounting to 21 percent. One can see the significant impact of any external market changes would have on the School District, and ultimately, the residential taxpayers.

As a result of the challenges mentioned above, the Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial forecast future of the School District is not without its challenges though. These challenges are external in nature. These external challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

An examination of the School District's expenditure per pupil data as published by the Ohio Department of Education reveals the success of the School District's ongoing cost reduction program:

<u>Fiscal Year</u>	<u>Expense Per Pupil</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
2015	\$8,971	(\$119)	(1%)
2014	\$9,090	+\$584	+7%
2013	\$8,506	(\$358)	(4%)
2012	\$8,864	(\$56)	(1%)
2011	\$8,920	+\$756	+8%
2010	\$8,164	+\$666	+8%
2009	\$7,498	+\$273	+4%
2008	\$7,225	(\$301)	(4%)
2007	\$7,526	(\$88)	(1%)
2006	\$7,614	Base	Base

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Brian Rella, Treasurer, Struthers City School District, 99 Euclid Avenue, Struthers, Ohio 44471-1831.

Struthers City School District

Mahoning County, Ohio

*Statement of Net Position**June 30, 2016*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,016,688
Accrued Interest Receivable	2,702
Accounts Receivable	563
Intergovernmental Receivable	556,871
Property Taxes Receivable	5,404,795
Inventory Held for Resale	4,949
Materials and Supplies Inventory	2,309
Nondepreciable Capital Assets	422,600
Depreciable Capital Assets, Net	16,708,881
<i>Total Assets</i>	<u>36,120,358</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	38,683
Pension:	
STRS	2,165,619
SERS	380,902
<i>Total Deferred Outflows of Resources</i>	<u>2,585,204</u>
Liabilities	
Accounts Payable	109,363
Accrued Wages and Benefits Payable	1,876,351
Intergovernmental Payable	444,657
Matured Compensated Absences Payable	7,593
Accrued Interest Payable	5,194
Claims Payable	1,246
Long-Term Liabilities:	
Due Within One Year	337,754
Due In More Than One Year:	
Net Pension Liability (See Note 13)	25,334,861
Other Amounts Due in More than One Year	2,961,382
<i>Total Liabilities</i>	<u>31,078,401</u>
Deferred Inflows of Resources	
Property Taxes	4,659,310
Pension:	
STRS	1,854,388
SERS	137,051
<i>Total Deferred Inflows of Resources</i>	<u>6,650,749</u>
Net Position	
Net Investment in Capital Assets	15,296,938
Restricted for:	
Capital Projects	15,531
Debt Service	599,477
Other Purposes	1,766,646
Set-asides	529,786
Unrestricted	(17,231,966)
<i>Total Net Position</i>	<u>\$976,412</u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2016

	Program Revenues		Net (Expense)	
	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
Expenses			Governmental Activities	
Governmental Activities				
Current:				
Instruction:				
Regular	\$8,891,221	\$1,624,814	\$161,027	(\$7,105,380)
Special	3,119,386	0	947,799	(2,171,587)
Vocational	300,767	33,783	0	(266,984)
Other	966,866	0	0	(966,866)
Support Services:				
Pupils	948,456	0	0	(948,456)
Instructional Staff	524,323	0	42,650	(481,673)
Board of Education	126,724	550	0	(126,174)
Administration	1,809,650	0	168,833	(1,640,817)
Fiscal	412,042	0	4,580	(407,462)
Business	36,787	0	0	(36,787)
Operation and Maintenance of Plant	2,113,633	0	0	(2,113,633)
Pupil Transportation	517,668	12,873	0	(504,795)
Central	17,347	0	0	(17,347)
Operation of Non-Instructional Services	132,651	0	146,092	13,441
Operation of Food Services	958,008	143,303	706,575	(108,130)
Extracurricular Activities	781,466	285,996	21,256	(474,214)
Interest and Fiscal Charges	106,915	0	0	(106,915)
Total Governmental Activities	\$21,763,910	\$2,101,319	\$2,198,812	(17,463,779)
General Revenues				
Property Taxes Levied for:				
				4,326,212
				215,317
				109,939
Grants and Entitlements not				
				13,337,922
				33,981
				141,561
Total General Revenues				18,164,932
				701,153
				275,259
				\$976,412

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,979,247	\$2,702,753	\$11,682,000
Accrued Interest Receivable	2,702	0	2,702
Accounts Receivable	563	0	563
Interfund Receivable	466,238	0	466,238
Intergovernmental Receivable	0	556,871	556,871
Property Taxes Receivable	5,025,201	379,594	5,404,795
Inventory Held for Resale	0	4,949	4,949
Materials and Supplies Inventory	0	2,309	2,309
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	529,786	0	529,786
Total Assets	\$15,003,737	\$3,646,476	\$18,650,213
Liabilities			
Accounts Payable	\$82,648	\$26,715	\$109,363
Accrued Wages and Benefits Payable	1,665,433	210,918	1,876,351
Intergovernmental Payable	394,049	50,608	444,657
Matured Compensated Absences Payable	0	7,593	7,593
Interfund Payable	0	466,238	466,238
Total Liabilities	2,142,130	762,072	2,904,202
Deferred Inflows of Resources			
Property Taxes	4,334,507	324,803	4,659,310
Unavailable Revenue - Property Taxes	670,253	53,232	723,485
Unavailable Revenue - Intergovernmental	0	556,871	556,871
Unavailable Revenue - Tuition and Fees	143	0	143
Unavailable Revenue - Other	106	0	106
Total Deferred Inflows of Resources	5,005,009	934,906	5,939,915
Fund Balances			
Nonspendable	0	2,309	2,309
Restricted	529,786	2,504,989	3,034,775
Committed	0	14,664	14,664
Assigned	594,431	0	594,431
Unassigned (Deficit)	6,732,381	(572,464)	6,159,917
Total Fund Balances	7,856,598	1,949,498	9,806,096
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$15,003,737	\$3,646,476	\$18,650,213

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2016*

Total Governmental Fund Balances		\$9,806,096
 Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,131,481
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		
Property Taxes	723,485	
Intergovernmental	556,871	
Tuition and Fees	143	
Miscellaneous	106	
Total		1,280,605
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
STRS	(21,329,438)	
SERS	(4,005,423)	
Total		(25,334,861)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions:		
STRS	2,165,619	
SERS	380,902	
Total		2,546,521
Deferred inflows of resources related to pensions:		
STRS	(1,854,388)	
SERS	(137,051)	
Total		(1,991,439)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		803,656
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.		(5,194)
Deferred outflows of resources represent deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds.		38,683
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,715,000)	
Capital Appreciation Bonds	(84,999)	
Accretion on Bonds	(154,338)	
Unamortized Premium	(73,227)	
Compensated Absences	(1,271,572)	
Total		(3,299,136)
 <i>Net Position of Governmental Activities</i>		 \$976,412

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$4,255,584	\$319,099	\$4,574,683
Tuition and Fees	1,672,766	0	1,672,766
Interest	33,981	0	33,981
Charges for Services	0	143,303	143,303
Extracurricular Activities	146,498	136,122	282,620
Rentals	15,462	0	15,462
Contributions and Donations	24,736	27,460	52,196
Intergovernmental	13,205,483	2,016,132	15,221,615
Miscellaneous	107,839	33,616	141,455
<i>Total Revenues</i>	<u>19,462,349</u>	<u>2,675,732</u>	<u>22,138,081</u>
Expenditures			
Current:			
Instruction:			
Regular	8,092,717	175,771	8,268,488
Special	2,070,443	1,060,670	3,131,113
Vocational	303,733	0	303,733
Other	963,302	3,564	966,866
Support Services:			
Pupils	939,138	10,214	949,352
Instructional Staff	458,802	53,136	511,938
Board of Education	110,101	11,448	121,549
Administration	1,736,881	72,480	1,809,361
Fiscal	402,249	10,071	412,320
Business	37,284	0	37,284
Operation and Maintenance of Plant	1,962,077	85,997	2,048,074
Pupil Transportation	452,548	0	452,548
Central	17,401	0	17,401
Operation of Non-Instructional Services	804	136,098	136,902
Operation of Food Services	0	947,767	947,767
Extracurricular Activities	531,292	183,843	715,135
Capital Outlay	281,219	70,978	352,197
Debt Service:			
Principal Retirement	0	385,000	385,000
Interest and Fiscal Charges	0	63,902	63,902
<i>Total Expenditures</i>	<u>18,359,991</u>	<u>3,270,939</u>	<u>21,630,930</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,102,358</u>	<u>(595,207)</u>	<u>507,151</u>
Other Financing Sources (Uses)			
Transfers In	0	5,010	5,010
Transfers Out	(5,010)	0	(5,010)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,010)</u>	<u>5,010</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,097,348	(590,197)	507,151
<i>Fund Balances Beginning of Year</i>	6,759,250	2,539,695	9,298,945
<i>Fund Balances End of Year</i>	<u>\$7,856,598</u>	<u>\$1,949,498</u>	<u>\$9,806,096</u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds \$507,151

***Amounts reported for governmental activities in the
statement of activities are different because***

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	352,197
Current Year Depreciation	<u>(1,288,686)</u>

Total (936,489)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	76,785
Intergovernmental	262,923
Tuition and Fees	(1,296)
Rent	(11,536)
Miscellaneous	<u>106</u>

Total 326,982

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

385,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	930
Accreted Interest on Bonds	(49,326)
Amortization of Premium	11,411
Amortization of Deferred Amount of Advance Refunding	<u>(6,028)</u>

Total (43,013)

Governmental funds report district pension contributions as expenditures.

However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Direct pension contributions	
STRS	1,193,267
SERS	<u>316,376</u>

Total 1,509,643

Cost of benefits earned net of employee contributions

STRS	(863,114)
SERS	<u>(267,486)</u>

Total (1,130,600)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(38,538)
Early Retirement Incentive	<u>12,096</u>

Total (26,442)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

108,921

Change in Net Position of Governmental Activities

\$701,153

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,206,798	\$4,225,000	\$4,235,143	\$10,143
Tuition and Fees	1,648,766	1,655,900	1,659,893	3,993
Interest	9,608	9,650	28,765	19,115
Rentals	14,836	14,900	15,462	562
Contributions and Donations	18,819	18,900	18,990	90
Intergovernmental	12,877,334	12,933,050	13,205,483	272,433
Miscellaneous	21,084	21,175	21,726	551
<i>Total Revenues</i>	<u>18,797,245</u>	<u>18,878,575</u>	<u>19,185,462</u>	<u>306,887</u>
Expenditures				
Current:				
Instruction:				
Regular	8,010,192	8,282,184	8,351,725	(69,541)
Special	2,085,007	2,152,034	2,109,434	42,600
Vocational	302,674	312,429	317,900	(5,471)
Other	961,453	957,962	984,362	(26,400)
Support Services:				
Pupils	908,059	936,835	941,780	(4,945)
Instructional Staff	424,860	438,396	450,769	(12,373)
Board of Education	127,757	131,072	138,736	(7,664)
Administration	1,780,994	1,837,759	1,751,360	86,399
Fiscal	510,196	525,095	443,714	81,381
Business	41,212	42,540	35,710	6,830
Operation and Maintenance of Plant	2,470,538	2,545,188	2,197,495	347,693
Pupil Transportation	543,120	559,713	520,428	39,285
Central	16,866	17,377	17,172	205
Operation of Non-Instructional Services	2,500	5,200	3,284	1,916
Extracurricular Activities	370,068	381,642	399,003	(17,361)
Capital Outlay	139	150	0	150
<i>Total Expenditures</i>	<u>18,555,635</u>	<u>19,125,576</u>	<u>18,662,872</u>	<u>462,704</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>241,610</u>	<u>(247,001)</u>	<u>522,590</u>	<u>769,591</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	3,600	3,657	57
Refund of Prior Year Expenditure	0	0	82,163	82,163
Advances In	0	0	301,505	301,505
Advances Out	0	(701,505)	(411,504)	290,001
Transfers Out	0	(28,481)	(5,010)	23,471
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(726,386)</u>	<u>(29,189)</u>	<u>697,197</u>
<i>Net Change in Fund Balance</i>	241,610	(973,387)	493,401	1,466,788
<i>Fund Balance Beginning of Year</i>	7,839,541	7,839,541	7,839,541	0
<i>Prior Year Encumbrances Appropriated</i>	508,908	508,908	508,908	0
<i>Fund Balance End of Year</i>	<u>\$8,590,059</u>	<u>\$7,375,062</u>	<u>\$8,841,850</u>	<u>\$1,466,788</u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Fund Net Position

Proprietary Funds

June 30, 2016

	<u>Internal Service</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$804,902
Current Liabilities	
Claims Payable	<u>1,246</u>
Net Position	
Unrestricted	<u><u>\$803,656</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	\$165,338
Intergovernmental	19,824
<i>Total Operating Revenues</i>	<u>185,162</u>
Operating Expenses	
Claims	<u>76,241</u>
<i>Change in Net Position</i>	108,921
<i>Net Position Beginning of Year</i>	<u>694,735</u>
<i>Net Position End of Year</i>	<u><u>\$803,656</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2016

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Charges and Interfund Services	\$165,338
Cash Received from Intergovernmental Sources	19,824
Cash Payments for Claims	<u>(76,005)</u>
<i>Net Cash Provided by Operating Activities</i>	109,157
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>695,745</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$804,902</u></u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income	\$108,921
Adjustments:	
Increase in Claims Payable	<u>236</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$109,157</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$111,511</u>
Liabilities	
Undistributed Monies	\$58,435
Due to Students	<u>53,076</u>
<i>Total Liabilities</i>	<u>\$111,511</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 - Description of the School District and Reporting Entity

The Struthers City School District (the "School District") operates under a locally elected five member Board and provides educational services as authorized by State and federal agencies. The Board controls the School District's three instructional support facilities staffed by 76 non-certified and 139 certified full-time teaching personnel and 12 administrative employees who provide services to students and other community members.

The School District is located in Struthers, Ohio, Mahoning County, including an area extending roughly five miles around the City. The enrollment for the School District during the 2016 fiscal year was 2,020. The School District operates three elementary schools (K-4), one middle school (5-8), and one high school (9-12).

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Struthers City School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The Struthers City School District does not have any component units.

The School District participates in two jointly governed organizations, one council of governments and one shared risk pool. These organizations are the Area Cooperative Computerized Educational Service System Council of Governments (ACCESS), the Mahoning County Career and Technical Center, the Ohio Schools' Council Association and the Mahoning County Schools Employee Insurance Consortium. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds are eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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. The internal service funds are presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the School District's major governmental fund:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The other governmental funds of the School District account for grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service funds.

Internal Service Funds The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service funds are an employee benefits fund and a workers compensation fund that accounts for benefits of the School District's employees.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and a college scholarship program.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenditures) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service funds.

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For the Fiscal Year Ended June 30, 2016

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding and pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees and rent revenue. These amounts are deferred and recognized as an inflow of

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Notes to the Basic Financial Statements
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resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide of statement of net position (see Note 13).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Although the legal level of control was established at the fund level of expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Treasurer has been given authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2016, investments were limited to Federal National Mortgage Association bonds, certificates of deposit and STAR Ohio.

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STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79' "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business days(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$33,981, \$3,123 of which was assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Donated commodities are presented at their entitlement value. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of buses and capital acquisitions. See Note 17 for additional information regarding set asides.

I. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal

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Notes to the Basic Financial Statements
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maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 99 years
Buildings and Improvements	10 - 99 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years
Textbooks and Library Books	5 - 10 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

L. Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

N. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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

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

O. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

P. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are reported in the year the bonds are issued.

Q. Deferred Charge (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred charge (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

R. Pensions

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs as well as intergovernmental receipts used for operating purposes. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

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T. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

U. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Note 3 – Change in Accounting Principle

For fiscal year 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application”, Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and Statement No. 79, “Certain External Investment Pools and Pool Participants”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the District’s fiscal year 2016 financial statements, however, there was no effect on beginning net position or fund balance.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement supersedes Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

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

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District’s fiscal year 2016 financial statements; however, there was no effect on beginning net position or fund balance.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 4 – Accountability

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Preschool Grant Fund	\$28,611
IDEA Part B Fund	192,162
Title I Fund	289,931
Improving Teacher Quality Fund	36,882
Miscellaneous Federal Grants Fund	24,878

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP).
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the uniform school supplies, public school support and special enterprise special revenue funds.

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$1,097,348
Net Adjustment for Revenue Accruals	(191,067)
Advances In	301,505
Net Adjustment for Expenditure Accruals	259,867
Advance Out	(411,504)
Net Adjustment for Funds Budgeted as Special Revenue	278
Adjustment for Encumbrances	<u>(563,026)</u>
Budget Basis	<u><u>\$493,401</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District 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 Board of Education 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.

Protection of the School District'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 Treasurer 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.

Interim monies held by the School District can 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 payment of 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, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and

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- Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
 4. Bonds and other obligations of the State of Ohio or Ohio local governments;
 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 division (1) or (2) and repurchase agreements secured by such obligations;
 7. The State Treasurer's investment pool (STAR Ohio);
 8. Commercial paper and bankers acceptances if training requirements have been met.

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 School District, and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year-end, the School District had \$460 in un-deposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At June 30, 2016, the carrying amount of all School District deposits was \$10,075,848. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2016, \$8,404,680 of the School District's bank balance of \$10,258,173 was exposed to custodial risk as discussed below, while \$1,853,493 was covered by Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial risk beyond the requirement of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose fair value at all times shall be at least one hundred percent of the deposit being secured.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

C. Investments

As of June 30, 2016, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$2,033,007	6 Months or Less
Money Market Funds	13,850	6 Months or Less
Federal National Mortgage Association Bonds	502,517	1 to 3 Years
Federal National Mortgage Association Bonds	502,517	3 to 5 Years
Total Portfolio	<u>\$3,051,891</u>	

The District's investments are valued using quoted market prices (level 1 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk. The Money Market funds and Federal National Mortgage Association Bonds were rated at least AA+ by Standard and Poors and Aaa by Moody's.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The School District's investment in STAR Ohio and Federal National Mortgage Association Bonds represent 67 percent and 33 percent, respectively, of the School District's total investments.

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Position</u>	
Carrying amount of deposits	\$10,075,848	Governmental Activities	\$13,016,688
Investments	3,051,891	Agency Funds	111,511
Cash on hand	460		
Total	<u>\$13,128,199</u>		<u>\$13,128,199</u>

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Notes to the Basic Financial Statements
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Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar 2016 represent collections of calendar year 2016 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2013, were levied after April 1, 2016 and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the School District at June 30, 2016.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$131,342,610	94.73 %	\$131,526,820	94.67 %
Public Utility Personal	7,300,960	5.27	7,411,980	5.33
Total	\$138,643,570	100.00 %	\$138,938,800	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$63.50		 \$63.50	

Note 8 - Receivables

Receivables at June 30, 2016, consisted of taxes, accounts (rent, student fees and tuition), intergovernmental and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<i>Non-major Governmental Funds:</i>	
IDEA Part B Grant	\$209,366
Title I Grant	303,968
Improving Teacher Quality Grant	43,537
Total Intergovernmental Receivable	\$556,871

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental	Total
<i>Nonspendable</i>			
Inventory	\$0	\$2,309	\$2,309
<i>Restricted for</i>			
Food Service Operations	0	748,349	748,349
Community Activities	0	23,224	23,224
Technology Improvements	0	76,198	76,198
Classroom Maintenance	0	146,705	146,705
Athletics & Music	0	74,362	74,362
Data Communication	0	7,200	7,200
Teacher Development	0	5,012	5,012
Student Achievement	0	138,457	138,457
Summer Intervention Programs	0	72,825	72,825
Teacher Development	0	489,764	489,764
Race to the Top Grant	0	1,875	1,875
Debt Service Payments	0	714,368	714,368
Capital Improvements	507,157	867	508,024
Other Purposes	0	5,783	5,783
Bus Purchases	22,629	0	22,629
<i>Total Restricted</i>	529,786	2,504,989	3,034,775
<i>Committed to</i>			
Capital Improvements	0	14,664	14,664
<i>Assigned to</i>			
Other Purposes	157,646	0	157,646
Encumbrances	436,785	0	436,785
<i>Total Assigned</i>	594,431	0	594,431
<i>Unassigned (Deficit)</i>	6,732,381	(572,464)	6,159,917
<i>Total Fund Balances</i>	\$7,856,598	\$1,949,498	\$9,806,096

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Governmental Activities:				
Capital assets not being depreciated				
Land	\$422,600	\$0	\$0	\$422,600
Capital assets being depreciated				
Land improvements	1,673,720	8,500	0	1,682,220
Buildings and improvements	31,611,053	228,388	0	31,839,441
Furniture, fixtures and equipment	1,238,804	69,960	0	1,308,764
Vehicles	1,093,030	45,349	0	1,138,379
Textbooks and Library Books	496,934	0	0	496,934
Total capital assets being depreciated	36,113,541	352,197	0	36,465,738
Accumulated depreciation				
Land improvements	(841,850)	(74,788)	0	(916,638)
Buildings and improvements	(15,294,935)	(1,038,596)	0	(16,333,531)
Furniture, fixtures and equipment	(960,800)	(87,096)	0	(1,047,896)
Vehicles	(873,652)	(88,206)	0	(961,858)
Textbooks and Library Books	(496,934)	0	0	(496,934)
Total accumulated depreciation	(18,468,171)	(1,288,686) *	0	(19,756,857)
Capital assets being depreciated, net	17,645,370	(936,489)	0	16,708,881
Governmental activities capital assets, net	\$18,067,970	(\$936,489)	\$0	\$17,131,481

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,025,926
Special	4,477
Support Services:	
Instruction Staff	15,774
Board of Education	5,302
Operation and Maintenance of Plant	72,761
Pupil Transportation	69,273
Operation of Non-Instructional Services	250
Operation of Food Services	22,061
Extracurricular	73,042
Total Depreciation Expense	\$1,288,866

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 11 – Interfund Activity

A. Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2016 interfund transfers were made as follows:

Transfers To	Transfers From General Fund
Non-major Governmental Funds:	
Improving Teacher Quality Fund	\$5,010

Transfers out of non-major governmental funds to the General fund were to transfer remaining balances in funds that are no longer active.

All transfers made in fiscal year 2016 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

B. Interfund Balances

The interfund receivable/payable consisted of the following at June 30, 2016, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$466,238	\$0
Non-major Governmental Fund:		
ECE/Preschool	0	28,611
Race to the Top Grant	0	1,245
IDEA Part B	0	147,307
Title I	0	229,985
Improving Teacher Quality Fund	0	34,212
Miscellaneous Federal Grants Fund	0	24,878
Total	\$466,238	\$466,238

The primary purpose of interfund balances is to cover costs in specific funds where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenue is received.

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Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 12 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the School District contracted with Ohio Casualty/Liberty Mutual for property insurance with a \$2,500 deductible. Professional liability is also protected by Ohio Casualty/Liberty Mutual with a \$3,000,000 aggregate limit.

Vehicles and busses are covered by Ohio Casualty/Liberty Mutual and hold a \$250/\$1,000 deductible for comprehensive and a \$500/\$1,000 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. CB radios on the School District's busses are also covered by Ohio Casualty/Liberty Mutual.

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

\$10,000 performance bonds are maintained for both the Board president and Superintendent. A \$40,000 performance bond is maintained for the Treasurer. A \$250,000 blanket bond is maintained for all other employees. All performance bonds are maintained by the Hartford Insurance Company, and the blanket bond is maintained by Ohio Casualty/Liberty Mutual.

B. Workers' Compensation

The School District 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. Employee Health Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical, prescription drug, dental and vision benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of twelve Mahoning County school districts. Rates are set through an annual calculation process. The Struthers City School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays premiums of \$1,630 for family coverage, \$1,222 for employee plus spouse, \$989 for employee plus children and \$582 for single coverage per employee per month.

The claims liability of \$1,246 reported in the internal service funds at June 30, 2016, includes claim costs relating to reported claims paid in the available period which were payable at June 30th.

Changes in the claims liability amount during the last two fiscal years were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$9,448	\$166,550	\$174,988	\$1,010
2016	1,010	76,241	76,005	1,246

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 13 – Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of 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.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Struthers City School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

B - School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire on or After August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ending June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was \$316,376 for the fiscal year ended June 30, 2016. Of this amount \$187,404 was reported as an intergovernmental payable.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

C - State Teachers Retirement System

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$1,193,267 for the fiscal year ended June 30, 2016. Of this amount \$186,020 was reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.07029300%	0.07868182%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.07019550%</u>	<u>0.07717690%</u>	
Change in Proportionate Share	<u>-0.00009750%</u>	<u>-0.00150492%</u>	
Proportionate Share of the Net Pension Liability	\$4,005,423	\$21,329,438	\$25,334,861
Pension Expense	\$267,486	\$863,114	\$1,130,600

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$64,526	\$972,352	\$1,036,878
District contributions subsequent to the measurement date	<u>316,376</u>	<u>1,193,267</u>	<u>1,509,643</u>
Total Deferred Outflows of Resources	<u>\$380,902</u>	<u>\$2,165,619</u>	<u>\$2,546,521</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$133,312	\$1,584,781	\$1,718,093
Change in proportionate share and difference between District contributions and proportionate share of contributions	<u>3,739</u>	<u>269,607</u>	<u>273,346</u>
Total Deferred Inflows of Resources	<u>\$137,051</u>	<u>\$1,854,388</u>	<u>\$1,991,439</u>

Struthers City School District
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\$1,509,643 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$49,580)	(\$452,969)	(\$502,549)
2018	(49,580)	(452,969)	(502,549)
2019	(49,884)	(452,972)	(502,856)
2020	76,519	476,874	553,393
Total	(\$72,525)	(\$882,036)	(\$954,561)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). 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.

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 calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation	4.00 Percent to 22 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.75 Percent Net of Investments Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

Struthers City School District
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Notes to the Basic Financial Statements
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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District'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 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$5,554,083	\$4,005,423	\$2,701,324

Changes between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Projected Salary Increases	2.75 Percent at Age 70 to 12.25 Percent at Age 20
Investment Rate of Return	7.75 Percent, Net of Investment Expenses
Cost of Living Adjustments (COLA)	2% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Struthers City School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$29,628,198	\$21,329,438	\$14,311,599

Note 14 – Postemployment Benefits

A - School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$36,592.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$18,300 and \$38,240, respectively. The full amount has been contributed for all three fiscal years.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. State Teachers Retirement System of Ohio

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS Ohio did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$84,095 respectively. The full amount has been contributed for all three fiscal years.

Note 15 - Long-term Obligations

Changes in the School District's long-term obligations during fiscal year 2016 were as follows:

Governmental-Type Activities	Outstanding 6/30/15	Additions	Deductions	Outstanding 6/30/16	Due in One Year
General Obligation Bonds:					
2000 Ohio School Facilities Bonds:					
Capital Appreciation Bonds	\$83,693	\$0	(\$83,693)	\$0	\$0
Accretion on Capital Appreciation Bonds	145,161	6,146	(151,307)	0	0
<i>Total 2000 Ohio School Facilities Bonds</i>	<u>228,854</u>	<u>6,146</u>	<u>(235,000)</u>	<u>0</u>	<u>0</u>
2011 Classroom Facilities Refunding Bonds:					
Current Interest Term Bonds	1,865,000	0	(150,000)	1,715,000	0
Capital Appreciation Bonds	84,999	0	0	84,999	84,999
Accretion on Capital Appreciation Bonds	111,158	43,180	0	154,338	154,338
Unamortized Premium	84,638	0	(11,412)	73,226	0
<i>Total 2011 Classroom Facilities Refunding Bonds</i>	<u>2,145,795</u>	<u>43,180</u>	<u>(161,412)</u>	<u>2,027,563</u>	<u>239,337</u>
<i>Total General Obligation Bonds</i>	<u>2,374,649</u>	<u>49,326</u>	<u>(396,412)</u>	<u>2,027,563</u>	<u>239,337</u>
Other Long-Term Obligations:					
Early Retirement Incentive Payable	12,096	0	(12,096)	0	0
Compensated Absences	1,233,034	136,828	(98,290)	1,271,572	98,417
<i>Total Other Long-Term Obligations</i>	<u>1,245,130</u>	<u>136,828</u>	<u>(110,386)</u>	<u>1,271,572</u>	<u>98,417</u>
<i>Total Before Net Pension Liability</i>	<u>3,619,779</u>	<u>186,154</u>	<u>(506,798)</u>	<u>3,299,135</u>	<u>337,754</u>
Net Pension Liability:					
STRS	19,138,142	3,337,463	(1,146,167)	21,329,438	0
SERS	3,557,489	742,071	(294,137)	4,005,423	0
<i>Total Net Pension Liability</i>	<u>22,695,631</u>	<u>4,079,534</u>	<u>(1,440,304)</u>	<u>25,334,861</u>	<u>0</u>
Total Long-Term Obligations	<u><u>\$26,315,410</u></u>	<u><u>\$4,265,688</u></u>	<u><u>(\$1,947,102)</u></u>	<u><u>\$28,633,996</u></u>	<u><u>\$337,754</u></u>

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

On December 1, 2000, the School District issued \$4,195,097 in voted general obligation bonds for the purpose of renovation and construction of the new and existing school buildings. The bonds were issued for a fifteen year period. The bond issue included \$1,770,000 in serial bonds and \$1,950,000 in term bonds, which were advance refunded in fiscal year 2011.

The 2000 general obligation bonds include capital appreciation bonds of \$475,097. This year the addition on these bonds aggregating \$6,146 represents the accretion of discounted interest. The final maturity of these bonds is \$1,175,000.

On April 18, 2011, the School District issued \$1,949,999 in general obligation refunding bonds at interest rates ranging from 2.1 percent to 4.0 percent. Bond proceeds were used to refund \$1,950,000 of the 2000 school improvement bonds.

Proceeds of \$2,019,830 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the 2000 school improvement bonds. As a result, \$1,950,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$69,830. This difference, being reported as a deferred outflow of resources on the accompanying financial statements, is being charged to operations through fiscal year 2023 using the straight-line method. The School District decreased its total debt service payments by \$221,500 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$203,377.

The 2011 general obligation bonds include a capital appreciation bond of \$84,999. This year the addition on this bond aggregating \$43,180 represents the accretion of discounted interest. The final maturity of this bond is \$260,000.

The school improvement bonds will be paid from the bond retirement debt service fund.

Compensated absences will be paid from the general fund and the food service, auxiliary services, IDEA Part B, Title I and improving teacher quality special revenue funds. The early retirement incentive will be paid from the general fund and the food service special revenue fund. The School District pays pension obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$11,418,861 with an unvoted debt margin of \$138,939 at June 30, 2016.

Principal requirements to retire general obligation debt outstanding, are as follows:

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Fiscal Year Ending June 30,	2011 General Obligation Refunding Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$0	\$62,328	\$62,328	\$84,999	\$175,001	\$260,000
2018	265,000	58,220	323,220	0	0	0
2019	275,000	49,850	324,850	0	0	0
2020	275,000	40,430	315,430	0	0	0
2021	290,000	29,837	319,837	0	0	0
2022 - 2023	610,000	24,600	634,600	0	0	0
Total	\$1,715,000	\$265,265	\$1,980,265	\$84,999	\$175,001	\$260,000

Note 16 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated without maximum for all employees. Upon retirement, classified employees and bus drivers receive payments for thirty percent of the total sick leave accumulation up to a maximum of 90 days. Administrators and teachers can receive payment for twenty-five to thirty-five percent of the total sick leave accumulation without limit.

B. Life Insurance

The School District provides life insurance to all regular employees. Coverage is equal to the annual salary for administrators, the annual salary for certified employees with a minimum of \$20,000 and a maximum of \$50,000, \$20,000 for non-union classified employees, and a minimum \$20,000 and maximum of \$50,000 for classified employees. Life insurance coverage is provided through Mutual of Omaha.

Note 17 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2015	\$292,501
Current Year Set-Aside Requirement	334,884
Qualifying Disbursements	0
Current year offsets	(120,228)
Total	<u>\$507,157</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$507,157</u>
Cash balance as of June 30, 2016	<u>\$507,157</u>

The School District did not have qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero. Therefore, this balance is being carried forward to future years.

In addition to the above statutory restrictions, the School District also had monies restricted for school bus purchases in the amount of \$22,629. The total restricted balance for all set-asides at the end of the fiscal year was \$529,786.

Note 18 - Jointly Governed Organizations & Council of Governments

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid a monthly fee to ACCESS during fiscal year 2016. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2016, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

C. Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a council of governments among area school districts. The council of governments was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2016, the Struthers City School District paid \$74,405 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Note 19 - Shared Risk Pool

Mahoning County Schools Employee Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. To obtain the financial information write to Mahoning County Insurance Consortium, 100 DeBartolo Place, Suite 115, Youngstown, Ohio 44512-7019.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

At June 30, 2016, the School District was not party to any legal proceedings.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Struthers City School District

Mahoning County, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio (SERS)

Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.07019550%	0.07029300%	0.07029300%
School District's Proportionate Share of the Net Pension Liability	\$4,005,423	\$3,557,489	\$4,180,099
School District's Covered-Employee Payroll	\$2,231,695	\$2,144,457	\$2,138,341
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	179.48%	165.89%	195.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Struthers City School District

Mahoning County, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio (STRS)

Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.077176900%	0.078681820%	0.078681820%
School District's Proportionate Share of the Net Pension Liability	\$21,329,438	\$19,138,142	\$22,797,229
School District's Covered-Employee Payroll	\$8,186,906	\$8,409,471	\$8,549,461
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	260.53%	227.58%	266.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Struthers City School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$316,376	\$294,137	\$297,222	\$295,947
Contributions in Relation to the Contractually Required Contribution	(\$316,376)	(\$294,137)	(\$297,222)	(\$295,947)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,259,825	\$2,231,695	\$2,144,457	\$2,138,341
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$292,489	\$242,015	\$254,068	\$176,647	\$164,393	\$171,369
(\$292,489)	(\$242,015)	(\$254,068)	(\$176,647)	(\$164,393)	(\$171,369)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,174,636	\$1,925,336	\$1,876,425	\$1,795,189	\$1,674,064	\$1,604,579
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Struthers City School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,193,267	\$1,146,167	\$1,093,231	\$1,111,430
Contributions in Relation to the Contractually Required Contribution	(\$1,193,267)	(\$1,146,167)	(\$1,093,231)	(\$1,111,430)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$8,523,337	\$8,186,906	\$8,409,471	\$8,549,461
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$1,131,746	\$1,082,264	\$1,083,676	\$1,054,542	\$1,018,881	\$972,920
(\$1,131,746)	(\$1,082,264)	(\$1,083,676)	(\$1,054,542)	(\$1,018,881)	(\$972,920)
\$0	\$0	\$0	\$0	\$0	\$0
\$8,705,741	\$8,325,110	\$8,335,970	\$8,111,862	\$7,837,549	\$7,484,000
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Struthers City School District

Mahoning County, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2016*

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014, 2015 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014, 2015 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014, 2015 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014, 2015 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**STRUTHERS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(C)(D) School Breakfast Program	10.553	2016	\$ 109,007
(C)(D) National School Lunch Program	10.555	2016	517,033
(D)(E) National School Lunch Program - Food Donation	10.555	2016	47,163
Total National School Lunch Program			564,196
Total U.S. Department of Agriculture and Child Nutrition Cluster			673,203
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	136,698
Title I Grants to Local Educational Agencies	84.010	2016	566,978
Total Title I Grants to Local Educational Agencies			703,676
Special Education_Grants to States	84.027	2015	114,313
Special Education_Grants to States	84.027	2016	324,278
Total Special Education_Grants to States			438,591
Improving Teacher Quality State Grants	84.367	2015	17,949
Improving Teacher Quality State Grants	84.367	2016	81,840
Total Improving Teacher Quality State Grants			99,789
Total U.S. Department of Education			1,242,056
Total Federal Financial Assistance			\$ 1,915,259

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Struthers City School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Struthers City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Struthers City School District.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of the "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



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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*

Struthers City School District
Mahoning County
99 Euclid Avenue
Struthers, Ohio 44471

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Struthers City School District's basic financial statements and have issued our report thereon dated January 27, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Struthers City School District

Compliance and Other Matters

As part of reasonably assuring whether the Struthers City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 Struthers City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Struthers City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
January 27, 2017



Julian & Grube, Inc.

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Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Struthers City School District
Mahoning County
99 Euclid Avenue
Struthers, Ohio 44471

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Struthers City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Struthers City School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Struthers City School District's major federal program.

Management's Responsibility

The Struthers City School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Struthers City School District's compliance for the Struthers City School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Struthers City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Struthers City School District's major program. However, our audit does not provide a legal determination of the Struthers City School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Struthers City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

Board of Education
Struthers City School District

Report on Internal Control Over Compliance

The Struthers City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Struthers City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Struthers City School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
January 27, 2017

**STRUTHERS CITY SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE 2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

STRUTHERS CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2017**