

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

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

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2018*

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Struthers City School District
99 Euclid Avenue
Struthers, Ohio 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, 2017 through June 30, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 11, 2019

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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, the 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, 2018, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County, Ohio, as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during fiscal year 2018, the Struthers City School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In addition, as disclosed in Note 3, a prior period restatement was required to reclassify internal service fund activity from the Proprietary Funds to the General Fund and to reclassify certain nonmajor governmental funds activity from the Other Governmental Funds to the General Fund. We did not modify our opinion regarding these matters.

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 and other postemployment benefit liabilities and pension and other postemployment benefit 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 25, 2019, 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.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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, 2018. 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 2018 are as follows:

- In total, net position increased \$9,836,464 from fiscal year 2017, due to decreases in the net pension and OPEB liabilities. The effects of GASB 68 and 75 greatly distort the comparative analysis to follow in this MD&A due to the significant reduction to total expenses on a full accrual basis.
- Revenues for governmental activities totaled \$23,985,205 in fiscal year 2018. Of this total, 80 percent consisted of general revenues while program revenues accounted for the balance of 20 percent.
- Program expenses totaled \$14,148,741. Instructional expenses made up 50 percent of the total while support services accounted for 37 percent. Other expenses rounded out the remaining 13 percent.
- The School District's only major governmental fund is the general fund. The general fund had \$20,692,122 in revenues and \$19,948,702 in expenditures, excluding other financing sources and uses. During fiscal year 2018, the general fund balance decreased \$256,580, or 3 percent.
- For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB), resulting in the restatement of beginning net position from the previously reported (\$1,260,989), to (\$7,638,792).
- The District's total net pension liability decreased to \$23,623,287 from \$31,792,433 and the OPEB liability decreased to \$5,125,263, from \$6,425,460, a combined decrease of over \$9.4 million. For more information on this liability see Notes 13 and 14 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

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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.

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 2018?" 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.

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*Management's Discussion and Analysis
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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 2018 compared to 2017:

Struthers City School District
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Net Position (Table 1)			
Governmental Activities			
	2018	(Restated) 2017	Change
Assets			
Current and Other Assets	\$19,363,381	\$18,362,973	\$1,000,408
Capital Assets, Net	15,278,868	16,392,283	(1,113,415)
<i>Total Assets</i>	<u>34,642,249</u>	<u>34,755,256</u>	<u>(113,007)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	26,627	32,655	(6,028)
Pension	7,930,625	5,970,931	1,959,694
OPEB	247,371	40,472	206,899
<i>Total Deferred Outflows of Resources</i>	<u>8,204,623</u>	<u>6,044,058</u>	<u>2,160,565</u>
Liabilities			
Current Liabilities	2,588,478	2,733,524	(145,046)
Long-Term Liabilities			
Due within One Year	310,652	296,880	13,772
Due in More than One Year:			
Net Pension Liability	23,623,287	31,792,433	(8,169,146)
Net OPEB Liability	5,125,263	6,425,460	(1,300,197)
Other Amounts	2,596,290	2,710,561	(114,271)
<i>Total Liabilities</i>	<u>34,243,970</u>	<u>43,958,858</u>	<u>(9,714,888)</u>
Deferred Inflows of Resources			
Property Taxes	4,835,521	4,459,248	376,273
Pension	987,851	0	987,851
OPEB	581,858	0	581,858
<i>Total Deferred Inflows of Resources</i>	<u>6,405,230</u>	<u>4,459,248</u>	<u>1,945,982</u>
Net Position			
Net Investment in Capital Assets	13,805,092	14,628,122	(823,030)
Restricted	3,335,402	3,546,505	(211,103)
Unrestricted (Deficit)	(14,942,822)	(25,813,419)	10,870,597
<i>Total Net Position</i>	<u>\$2,197,672</u>	<u>(\$7,638,792)</u>	<u>\$9,836,464</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Total assets decreased by \$113,007. The majority of this decrease can be attributed to a decrease in capital assets. Total liabilities decreased by \$9,714,888 due mostly to the decrease in net pension and OPEB liabilities.

Table 2 shows the changes in net position for fiscal year 2018 as compared to fiscal year 2017.

Table 2
Change in Net Position

	2018	(Restated) 2017	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$2,461,226	\$2,249,265	\$211,961
Operating Grants and Contributions	2,291,616	2,318,825	(27,209)
<i>Total Program Revenues</i>	<u>4,752,842</u>	<u>4,568,090</u>	<u>184,752</u>
General Revenues			
Property Taxes	4,827,641	4,739,789	87,852
Intergovernmental	14,236,176	13,533,229	702,947
Investment Earnings	62,125	11,608	50,517
Miscellaneous	106,421	69,993	36,428
<i>Total General Revenues</i>	<u>19,232,363</u>	<u>18,354,619</u>	<u>877,744</u>
<i>Total Revenues</i>	<u>23,985,205</u>	<u>22,922,709</u>	<u>1,062,496</u>
Program Expenses			
Current:			
Instruction	7,051,261	16,107,965	9,056,704
Support Services	5,183,439	7,318,631	2,135,192
Operation of Non-Instructional/Food Services	1,007,878	985,730	(22,148)
Extracurricular Activities	854,013	662,992	(191,021)
Interest and Fiscal Charges	52,150	77,607	25,457
<i>Total Program Expenses</i>	<u>14,148,741</u>	<u>25,152,925</u>	<u>11,004,184</u>
<i>Change in Net Position</i>	9,836,464	(2,230,216)	9,941,688
Net Position Beginning of Year - Restated	<u>(7,638,792)</u>	N/A	
<i>Net Position End of Year</i>	<u>\$2,197,672</u>	<u>(\$7,638,792)</u>	<u>\$9,836,464</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$40,472 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of

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OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$885,668. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$14,148,741
Negative OPEB Expense under GASB 75	885,668
2018 Contractually Required Contributions	39,570
Adjusted 2018 Program Expenses	15,073,979
Total 2017 Program Expenses under GASB 75	25,152,925
Decrease in Program Expenses not Related to OPEB	(\$10,078,946)

Governmental Activities

Net position of the School District's governmental activities increased \$9,836,464. Total governmental expenses of \$14,148,741 were fully offset by program revenues of \$4,752,842 and general revenues of \$19,232,363. Program revenues supported 34 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 79 percent of total governmental revenue.

The largest expense of the School District is for instructional programs. Instructional expenses totaled \$7,051,261 or 50 percent of total governmental expenses for fiscal year 2018.

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.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$7,051,261	\$3,996,868	\$16,107,965	\$13,369,668
Support Services	5,183,439	5,005,387	7,318,631	6,914,212
Operation of Non-Instructional/Food Services	1,007,878	(68,030)	985,730	(46,338)
Extracurricular Activities	854,013	409,524	662,992	269,686
Interest and Fiscal Charges	52,150	52,150	77,607	77,607
<i>Total Expenditures</i>	\$14,148,741	\$9,395,899	\$25,152,925	\$20,584,835

The table above reflects how the District funds its programs through program revenues. Instructional services, support services, co-curricular activities, and interest charges rely heavily on general revenues, while non-instructional and food services were completely funded by program revenues during the fiscal year. The large decrease in instructional and support services is the byproduct of GASB 68 and 75 as previously discussed. To gain a better

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understanding of operations, please refer to the fund analysis on the next following pages.

The dependence upon property taxes and other general revenues for governmental activities is apparent. For all governmental activities expenses, general revenue support is 100 percent this year. 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 \$23,854,510 to offset expenditures of \$23,216,709. The net change in fund balance for the year was most significant in the general fund, which decreased \$256,580. 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 20 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.

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 2018, the School District amended its general fund budget as needed. For the general fund, original budgeted revenues and other financing sources were \$19,368,693 and final budgeted revenues were \$20,319,310. Actual revenues and other financing sources for fiscal year 2018 were \$20,326,515. This represents an increase of \$7,205 from final budgeted revenues.

General fund original appropriations of \$20,440,767 were amended to \$21,565,406 in the final appropriation. The actual budget basis expenditures for fiscal year 2018 totaled \$21,581,197, which were \$15,791 more than final budgeted appropriations and \$1,140,430 more than original budgeted appropriations. The variance with the original budget is due to a \$1,000,000 transfer made to a non-major capital projects fund not anticipated at the beginning of the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$15,278,868 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks and library books.

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Management's Discussion and Analysis
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Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

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

	2018	2017
Land	\$422,600	\$422,600
Construction in Progress	43,499	0
Land Improvements	702,741	779,811
Buildings and Improvements	13,435,543	14,475,217
Furniture and Equipment	406,519	348,190
Vehicles	267,966	346,465
<i>Total</i>	\$15,278,868	\$16,372,283

All capital assets, except land, are reported net of depreciation. The overall decrease in capital assets of \$1,093,415 is due to current year depreciation of \$1,277,332 exceeding capital outlays of \$183,917 during the fiscal year. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

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

	2018	(Restated) 2017
General Obligation Bonds	\$1,500,403	\$1,776,816
Compensated Absences	1,406,539	1,230,625
Net Pension Liability	23,623,287	31,792,433
Net OPEB Liability	5,125,263	6,425,460
<i>Total</i>	\$31,655,492	\$41,225,334

At June 30, 2018, the School District had \$1,500,403 in general obligation bonds, \$1,406,539 in compensated absences outstanding. Of this total, \$310,652 is due within one year and the rest is due in more than one year. 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 23 percent. One can see the significant impact of any external market changes would have on the School District, and ultimately, the residential taxpayers.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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.

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>
2018	\$10,968	+1,819	+20%
2017	\$9,149	+\$309	+4%
2016	\$8,840	(\$131)	(2%)
2015	\$8,971	(\$119)	(1%)
2014	\$9,090	+\$584	+7%
2013	\$8,506	(\$358)	(4%)
2012	\$8,864	(\$56)	(1%)
2011	\$8,920	+\$756	+9%
2010	\$8,164	+\$666	+9%
2009	\$7,498	+\$273	+4%
2008	\$7,225	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, 2018*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$13,570,105
Accrued Interest Receivable	361
Accounts Receivable	3,141
Intergovernmental Receivable	72,757
Property Taxes Receivable	5,708,715
Inventory Held for Resale	6,431
Materials and Supplies Inventory	1,871
Nondepreciable Capital Assets	466,099
Depreciable Capital Assets, Net	14,812,769
<i>Total Assets</i>	<u>34,642,249</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	26,627
Pension	7,930,625
OPEB	247,371
<i>Total Deferred Outflows of Resources</i>	<u>8,204,623</u>
Liabilities	
Accounts Payable	47,827
Accrued Wages and Benefits Payable	2,041,183
Intergovernmental Payable	494,959
Accrued Interest Payable	4,509
Long-Term Liabilities:	
Due Within One Year	310,652
Due In More Than One Year:	
Net Pension Liability	23,623,287
Net OPEB Liability	5,125,263
Other Amounts Due in More than One Year	2,596,290
<i>Total Liabilities</i>	<u>34,243,970</u>
Deferred Inflows of Resources	
Property Taxes	4,835,521
Pension	987,851
OPEB	581,858
<i>Total Deferred Inflows of Resources</i>	<u>6,405,230</u>
Net Position	
Net Investment in Capital Assets	13,805,092
Restricted for:	
Capital Projects	972,032
Debt Service	806,428
Other Purposes	1,520,651
Set-asides	36,291
Unrestricted	(14,942,822)
<i>Total Net Position</i>	<u>\$2,197,672</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, 2018

	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	\$3,802,734	\$1,758,020	\$150,918	(\$1,893,796)
Special	2,225,361	0	1,039,493	(1,185,868)
Vocational	91,905	97,387	0	5,482
Other	931,261	0	8,575	(922,686)
Support Services:				
Pupils	432,064	0	2,669	(429,395)
Instructional Staff	615,944	0	135,922	(480,022)
Board of Education	101,834	650	0	(101,184)
Administration	1,104,587	0	0	(1,104,587)
Fiscal	359,607	0	6,855	(352,752)
Business	40,195	0	0	(40,195)
Operation and Maintenance of Plant	1,932,376	17,761	0	(1,914,615)
Pupil Transportation	575,740	14,195	0	(561,545)
Central	21,092	0	0	(21,092)
Operation of Non-Instructional Services	1,007,878	153,440	922,468	68,030
Extracurricular Activities	854,013	419,773	24,716	(409,524)
Interest and Fiscal Charges	52,150	0	0	(52,150)
<i>Total Governmental Activities</i>	<u>\$14,148,741</u>	<u>\$2,461,226</u>	<u>\$2,291,616</u>	<u>(9,395,899)</u>
General Revenues				
Property Taxes Levied for:				
				4,439,240
				305,437
				82,964
Grants and Entitlements not				
				14,236,176
				62,125
				106,421
				<u>19,232,363</u>
				Change in Net Position
				9,836,464
				<i>Net Position Beginning</i>
				<i>of Year - Restated (See Note 3)</i>
				(7,638,792)
				<u><i>Net Position End of Year</i></u>
				<u>\$2,197,672</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$10,382,168	\$3,151,646	\$13,533,814
Accrued Interest Receivable	361	0	361
Accounts Receivable	3,141	0	3,141
Interfund Receivable	210,077	0	210,077
Intergovernmental Receivable	0	72,757	72,757
Property Taxes Receivable	5,298,176	410,539	5,708,715
Inventory Held for Resale	0	6,431	6,431
Materials and Supplies Inventory	0	1,871	1,871
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	36,291	0	36,291
Total Assets	\$15,930,214	\$3,643,244	\$19,573,458
Liabilities			
Accounts Payable	\$47,627	\$200	\$47,827
Accrued Wages and Benefits Payable	1,816,014	225,169	2,041,183
Intergovernmental Payable	447,169	47,790	494,959
Interfund Payable	0	210,077	210,077
Total Liabilities	2,310,810	483,236	2,794,046
Deferred Inflows of Resources			
Property Taxes	4,489,904	345,617	4,835,521
Unavailable Revenue - Property Taxes	745,367	60,027	805,394
Unavailable Revenue - Intergovernmental	0	72,757	72,757
Total Deferred Inflows of Resources	5,235,271	478,401	5,713,672
Fund Balances			
Nonspendable	0	1,871	1,871
Restricted	247,073	2,103,606	2,350,679
Committed	0	971,165	971,165
Assigned	1,459,955	0	1,459,955
Unassigned (Deficit)	6,677,105	(395,035)	6,282,070
Total Fund Balances	8,384,133	2,681,607	11,065,740
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$15,930,214	\$3,643,244	\$19,573,458

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
June 30, 2018*

Total Governmental Fund Balances \$11,065,740

***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. 15,278,868

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	805,394
Intergovernmental	<u>72,757</u>

Total 878,151

The net pension and OPEB liabilities are not due and payable
in the current period and, therefore, are not reported in the funds.

Deferred Outflows - Pension	7,930,625
Deferred Inflows - Pension	(987,851)
Net Pension Liability	(23,623,287)
Deferred Outflows - OPEB	247,371
Deferred Inflows - OPEB	(581,858)
OPEB Liability	<u>(5,125,263)</u>

Total (22,140,263)

In the statement of activities, interest is accrued on outstanding
general obligation bonds, whereas in governmental
funds, an interest expenditure is reported when due. (4,509)

Deferred outflows of resources represent deferred charges on
refunding which do not provide current financial resources and
therefore are not reported in the funds. 26,627

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

General Obligation Bonds	(1,450,000)
Unamortized Premium	(50,403)
Compensated Absences	<u>(1,406,539)</u>

Total (2,906,942)

Net Position of Governmental Activities \$2,197,672

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, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$4,432,591	\$337,112	\$4,769,703
Tuition and Fees	1,870,827	0	1,870,827
Interest	62,125	0	62,125
Charges for Services	0	153,440	153,440
Extracurricular Activities	97,420	323,003	420,423
Rentals	16,536	0	16,536
Contributions and Donations	4,920	52,868	57,788
Intergovernmental	14,104,261	2,292,986	16,397,247
Miscellaneous	103,442	2,979	106,421
<i>Total Revenues</i>	<u>20,692,122</u>	<u>3,162,388</u>	<u>23,854,510</u>
Expenditures			
Current:			
Instruction:			
Regular	9,096,125	182,830	9,278,955
Special	2,573,831	1,069,553	3,643,384
Vocational	283,869	0	283,869
Other	925,119	6,142	931,261
Support Services:			
Pupils	1,024,341	13,459	1,037,800
Instructional Staff	600,794	185,275	786,069
Board of Education	98,959	162	99,121
Administration	1,826,232	2,004	1,828,236
Fiscal	381,342	11,583	392,925
Business	43,655	0	43,655
Operation and Maintenance of Plant	1,928,040	67,233	1,995,273
Pupil Transportation	555,752	0	555,752
Central	21,862	0	21,862
Operation of Non-Instructional Services	551	1,025,367	1,025,918
Extracurricular Activities	447,812	337,680	785,492
Capital Outlay	140,418	43,499	183,917
Debt Service:			
Principal Retirement	0	265,000	265,000
Interest and Fiscal Charges	0	58,220	58,220
<i>Total Expenditures</i>	<u>19,948,702</u>	<u>3,268,007</u>	<u>23,216,709</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>743,420</u>	<u>(105,619)</u>	<u>637,801</u>
Other Financing Sources (Uses)			
Transfers In	0	1,000,000	1,000,000
Transfers Out	(1,000,000)	0	(1,000,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(256,580)	894,381	637,801
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	8,640,713	1,787,226	10,427,939
<i>Fund Balances End of Year</i>	<u>\$8,384,133</u>	<u>\$2,681,607</u>	<u>\$11,065,740</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, 2018*

Net Change in Fund Balances - Total Governmental Funds		\$637,801
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	183,917	
Current Year Depreciation	<u>(1,277,332)</u>	
Total		(1,093,415)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	57,938	
Intergovernmental	<u>72,757</u>	
Total		130,695
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.		
		265,000
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	685	
Amortization of Premium	11,413	
Amortization of Deferred Amount of Advance Refunding	<u>(6,028)</u>	
Total		6,070
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,666,598	
OPEB	<u>39,570</u>	
Total		1,706,168
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	7,474,391	
OPEB	<u>885,668</u>	
Total		8,360,059
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		<u>(175,914)</u>
<i>Change in Net Position of Governmental Activities:</i>		<u><u>\$9,836,464</u></u>

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, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,211,933	\$4,415,524	\$4,415,524	\$0
Tuition and Fees	1,773,142	1,858,850	1,859,144	294
Interest	53,418	56,000	61,471	5,471
Extracurricular Activities	17,171	18,001	18,002	1
Rentals	16,407	17,200	17,236	36
Contributions and Donations	573	600	646	46
Intergovernmental	13,224,769	13,864,010	13,865,639	1,629
Miscellaneous	71,280	77,425	77,113	(312)
<i>Total Revenues</i>	<u>19,368,693</u>	<u>20,307,610</u>	<u>20,314,775</u>	<u>7,165</u>
Expenditures				
Current:				
Instruction:				
Regular	10,006,178	10,572,916	9,423,791	1,149,125
Special	2,141,235	2,262,784	2,584,757	(321,973)
Vocational	192,076	203,044	286,524	(83,480)
Other	971,666	1,020,766	934,301	86,465
Support Services:				
Pupils	929,408	981,559	1,041,092	(59,533)
Instructional Staff	523,616	552,646	604,255	(51,609)
Board of Education	123,658	129,325	125,432	3,893
Administration	1,842,988	1,940,429	1,815,407	125,022
Fiscal	429,804	450,874	427,600	23,274
Business	44,803	47,364	43,545	3,819
Operation and Maintenance of Plant	2,215,874	2,330,572	2,144,928	185,644
Pupil Transportation	617,680	649,351	632,583	16,768
Central	19,596	20,451	26,233	(5,782)
Operation of Non-Instructional Services	7,990	8,280	3,581	4,699
Extracurricular Activities	374,195	395,045	364,707	30,338
Capital Outlay	0	0	300	(300)
<i>Total Expenditures</i>	<u>20,440,767</u>	<u>21,565,406</u>	<u>20,459,036</u>	<u>1,106,370</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,072,074)</u>	<u>(1,257,796)</u>	<u>(144,261)</u>	<u>1,113,535</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	0	8,700	8,740	40
Advances Out	0	0	(122,161)	(122,161)
Transfers In	0	3,000	3,000	0
Transfers Out	0	0	(1,000,000)	(1,000,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>11,700</u>	<u>(1,110,421)</u>	<u>(1,122,121)</u>
<i>Net Change in Fund Balance</i>	<u>(1,072,074)</u>	<u>(1,246,096)</u>	<u>(1,254,682)</u>	<u>(8,586)</u>
<i>Fund Balance Beginning of Year</i>	<u>8,566,762</u>	<u>8,566,762</u>	<u>8,566,762</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>666,537</u>	<u>666,537</u>	<u>666,537</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$8,161,225</u>	<u>\$7,987,203</u>	<u>\$7,978,617</u>	<u>(\$8,586)</u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2018

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$78,107</u>
Liabilities	
Undistributed Monies	\$32,138
Due to Students	<u>45,969</u>
<i>Total Liabilities</i>	<u>\$78,107</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, 2018

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 64 non-certified and 141 certified full-time teaching personnel and 7 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 2018 fiscal year was 1,826. 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 accounting principles generally accepted in the United States of America (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, 2018

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. 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. 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, 2018

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 proprietary funds.

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.

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.

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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, pension and OPEB 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 and OPEB are explained in Notes 13 and 14.

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, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 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 resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide of statement of net position (see Notes 13 and 14).

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

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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 2018, investments were limited to Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds and STAR Ohio.

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 2018, 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 \$100 million, requiring the excess amount to be transacted the following business days(s), but only to the \$100 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 2018 amounted to \$62,125, \$5,821 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.

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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 acquisition 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 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.

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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.

M. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments and 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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.

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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.

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.

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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 received 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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB 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/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

S. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

T. 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 & Restatement of Prior Year Fund Balance & Net Position

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, Statement No. 81, “Irrevocable Split-Interest Agreements”, Statement No. 85, “Omnibus 2017”, and GASB Statement No. 86, “Certain Debt Extinguishment Issues”.

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GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The implementation of GASB Statement 75 resulted in an overall restatement of beginning net position, as previously reported (see below).

GASB Statement No. 81 aims to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts-or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

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

GASB Statement No. 86 aims to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District incorporated the corresponding GASB 86 guidance into their fiscal year 2018 financial statements; however, there was no effect on beginning net position or fund balance.

B. Restatement of Prior Year Net Position

	<u>Governmental Activities</u>
Net Position at June 30, 2017, as Previously Reported	(\$1,260,989)
<i>Adjustments:</i>	
Net Other Postemployment Benefit (OPEB) Liability	(6,425,460)
Subsequent to Measurement Date	40,472
Reclassification of Internal Service Funds	<u>7,185</u>
Restated Net Position at June 30, 2017	<u><u>(\$7,638,792)</u></u>

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Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

During the fiscal year, it was determined that the District's internal service funds should be combined with the general fund under the guidelines of GASB Statement 54. This reclassification resulted in the elimination of proprietary fund statements and a reduction to claims payable of \$7,185 on the government wide Statement of Net Position.

C. Restatement of Prior Year Fund Balance

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2017, as Previously Reported	\$7,008,417	\$2,595,538	\$9,603,955
<i>Adjustments:</i>			
Reclassification of Internal Service Funds to the General Fund	823,984	0	823,984
Reclassification of Non-major Special Revenue Funds to the General Fund	808,312	(808,312)	0
Restated Fund Balance at June 30, 2017	\$8,640,713	\$1,787,226	\$10,427,939

During the fiscal year, it was determined that three of the District's non-major special revenue funds and the internal service funds should be combined with the general fund under the guidelines of GASB Statement 54. This reclassification resulted in an increase to fund balance of the general fund as described above.

Note 4 – Accountability

Fund balances at June 30, 2018 included the following individual fund deficits:

Nonmajor Governmental Funds:	Deficit
Preschool Grant Fund	\$27,287
Miscellaneous State Grants Fund	1,341
IDEA Part B Fund	65,868
Title I Fund	154,204
Improving Teacher Quality Fund	142,376
Miscellaneous Federal Grants Fund	3,959

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.

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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 accounting principles generally accepted in the United States of America (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, special enterprise, employee benefits, workers compensation, Ohio Reads, Summer Intervention, and the Medicaid-Ohio Plans special revenue funds.

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	(\$256,580)
Net Adjustment for Revenue Accruals	(365,607)
Net Adjustment for Expenditure Accruals	(171,439)
Advance Out	(122,161)
Net Adjustment for Funds Budgeted as Special Revenue	188,521
Adjustment for Encumbrances	<u>(527,416)</u>
Budget Basis	<u><u>(\$1,254,682)</u></u>

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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 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.

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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

At June 30, 2018, the carrying amount of all School District deposits was \$11,654,938 and the bank balance of all School District deposits was \$11,703,435. Of the bank balance \$2,846,054 was covered by Federal Deposit Insurance Corporation (FDIC) and \$8,857,381 was potentially exposed to custodial credit risk as discussed below, because those deposits were uninsured and could be uncollateralized.

Custodial credit risk 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. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the School District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

C. Investments

As of June 30, 2018, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Amortized Cost: STAR Ohio	\$1,050,725	6 Months or Less
Federal National Mortgage Association Bonds	498,210	6 Months or Less
Federal Home Loan Bank Bonds	<u>443,879</u>	Greater than 24 Months
Total Portfolio	<u>\$1,992,814</u>	

The weighted average maturity of investments is 0.78 years.

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The School District's investments in federal agency securities (FNMA and FHLB) are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 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 Federal 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 Bonds represent 53 percent and 47 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, 2018:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Position</u>	
Carrying amount of deposits	\$11,654,938	Governmental Activities	\$13,570,105
Investments	1,992,814	Agency Funds	78,107
Cash on hand	460		
Total	<u>\$13,648,212</u>		<u>\$13,648,212</u>

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 revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute 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.

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Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 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, 2018, are available to finance fiscal year 2018 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, 2018 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.

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.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$130,521,340	93.41 %	\$123,781,300	92.81 %
Public Utility Personal	9,201,610	6.59	9,583,080	7.19
Total	\$139,722,950	100.00 %	\$133,364,380	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$63.50		 \$63.70	

Note 8 - Receivables

Receivables at June 30, 2018, 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	\$34,240
Title I Grant	38,517
Total Intergovernmental Receivable	\$72,757

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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	\$1,871	\$1,871
<i>Restricted for</i>			
Food Service Operations	0	889,158	889,158
Community Activities	0	24,150	24,150
Technology Improvements	0	68,645	68,645
Classroom Maintenance	0	197,495	197,495
Athletics & Music	0	129,675	129,675
Data Communication	0	2,550	2,550
Teacher Development	0	5,012	5,012
Student Achievement	137,957	0	137,957
Summer Intervention Programs	72,825	0	72,825
Race to the Top Grant	0	1,875	1,875
Debt Service Payments	0	760,443	760,443
Capital Improvements	0	867	867
Other Purposes	0	23,736	23,736
Bus Purchases	36,291	0	36,291
<i>Total Restricted</i>	247,073	2,103,606	2,350,679
<i>Committed to</i>			
Capital Improvements	0	971,165	971,165
<i>Assigned to</i>			
Other Purposes	160,384	0	160,384
Encumbrances	474,647	0	474,647
Employee Insurance	824,924	0	824,924
<i>Total Assigned</i>	1,459,955	0	1,459,955
<i>Unassigned (Deficit)</i>	6,677,105	(395,035)	6,282,070
<i>Total Fund Balances</i>	\$8,384,133	\$2,681,607	\$11,065,740

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Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18
Governmental Activities:				
Capital assets not being depreciated				
Land	\$422,600	\$0	\$0	\$422,600
Construction in progress	0	43,499	0	43,499
Total capital assets not being depreciated	422,600	43,499	0	466,099
Capital assets being depreciated				
Land improvements	1,773,519	0	0	1,773,519
Buildings and improvements	31,848,422	0	0	31,848,422
Furniture, fixtures and equipment	1,450,091	140,418	0	1,590,509
Vehicles	1,386,822	0	0	1,386,822
Textbooks and Library Books	496,934	0	0	496,934
Total capital assets being depreciated	36,955,788	140,418	0	37,096,206
Accumulated depreciation				
Land improvements	(993,708)	(77,070)	0	(1,070,778)
Buildings and improvements	(17,373,205)	(1,039,674)	0	(18,412,879)
Furniture, fixtures and equipment	(1,101,901)	(82,089)	0	(1,183,990)
Vehicles	(1,040,357)	(78,499)	0	(1,118,856)
Textbooks and Library Books	(496,934)	0	0	(496,934)
Total accumulated depreciation	(21,006,105)	(1,277,332) *	0	(22,283,437)
Capital assets being depreciated, net	15,949,683	(1,136,914)	0	14,812,769
Governmental activities capital assets, net	\$16,372,283	(\$1,093,415)	\$0	\$15,278,868

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,031,837
Special	4,477
Support Services:	
Instruction Staff	15,774
Board of Education	5,302
Operation and Maintenance of Plant	66,123
Pupil Transportation	69,273
Operation of Non-Instructional/Food Services	15,213
Extracurricular	69,333
Total Depreciation Expense	\$1,277,332

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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 2018 the general fund transferred \$1,000,000 to the capital project – building depreciation fund, a non-major governmental fund.

B. Interfund Balances

The interfund receivable/payable consisted of the following at June 30, 2018, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$210,077	\$0
Non-major Governmental Fund:		
Public School Preschool	0	27,287
Miscellaneous State Grants Fund	0	1,200
Race to the Top Grant	0	1,245
Title I	0	61,560
Improving Teacher Quality Fund	0	114,772
Miscellaneous Federal Grants Fund	0	4,013
Total	\$210,077	\$210,077

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.

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 2018, 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.

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\$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 \$1,918 for family coverage, \$1,438 for employee plus spouse, \$1,164 for employee plus children and \$685 for single coverage per employee per month.

Note 13 – Defined Benefit Pension Plans

A. Net Pension Liability

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.

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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.

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a statewide, 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.

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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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of employer contributions was allocated to the Health Care Fund for fiscal year 2018. The District's contractually required contribution to SERS was \$339,547 for the fiscal year ended June 30, 2018. Of this amount \$188,388 was reported as an intergovernmental payable.

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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination at age 50 or later.

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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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 to 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.

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, 2018 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$1,327,051 for the fiscal year ended June 30, 2018. Of this amount \$227,440 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, 2017, 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 and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.07020040%	0.07962955%	
Proportion of the Net Pension Liability Current Measurement Date	0.07115050%	0.08154926%	
Change in Proportionate Share	0.00095010%	0.00191971%	
Proportionate Share of the Net Pension Liability	\$4,251,085	\$19,372,202	\$23,623,287
Pension Expense	(\$145,535)	(\$7,328,856)	(\$7,474,391)

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At June 30, 2018, the 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	\$182,952	\$748,064	\$931,016
Change of Assumptions	219,827	4,236,914	4,456,741
Change in Proportionate Share	33,648	842,622	876,270
District contributions subsequent to the measurement date	339,547	1,327,051	1,666,598
Total Deferred Outflows of Resources	<u>\$775,974</u>	<u>\$7,154,651</u>	<u>\$7,930,625</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$156,132	\$156,132
Net difference between projected and actual earnings on pension plan investments	20,180	639,310	659,490
Change in Proportionate Share	1,349	170,880	172,229
Total Deferred Inflows of Resources	<u>\$21,529</u>	<u>\$966,322</u>	<u>\$987,851</u>

\$1,666,598 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:			
2019	\$176,839	\$1,032,901	\$1,209,740
2020	265,417	1,902,573	2,167,990
2021	71,742	1,484,119	1,555,861
2022	(99,100)	441,685	342,585
Total	<u>\$414,898</u>	<u>\$4,861,278</u>	<u>\$5,276,176</u>

Actuarial Assumptions - SERS

SERS' total pension liability is determined by SERS' 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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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, June 30, 2017, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience Study Date	5 Year Period Ended June 30, 2015
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

Mortality Assumptions - Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. 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 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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Discount Rate Total pension liability was calculated using the discount rate of 7.50 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 earnings were calculated using the long-term assumed investment rate of return (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$5,899,402	\$4,251,085	\$2,870,284

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	\$27,769,392	\$19,372,202	\$12,298,828

E. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2018, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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Note 14 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. The net OPEB liability has been disclosed below.

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree

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population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$39,570 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 to offer the Plan and gives the Retirement Board discretionary 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.07241810%	0.07962955%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.07241810%</u>	<u>0.08154926%</u>	
Change in Proportionate Share	<u>0.00000000%</u>	<u>0.00191971%</u>	
Proportionate Share of the Net OPEB Liability	\$1,943,512	\$3,181,751	\$5,125,263
OPEB Expense	\$85,231	(\$970,899)	(\$885,668)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$183,670	\$183,670
Change in Proportionate Share District contributions subsequent to the measurement date	24,131	0	24,131
	<u>39,570</u>	<u>0</u>	<u>39,570</u>
Total Deferred Outflows of Resources	<u>\$63,701</u>	<u>\$183,670</u>	<u>\$247,371</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$5,133	\$135,996	141,129
Change of Assumptions	<u>184,429</u>	<u>256,300</u>	<u>440,729</u>
Total Deferred Inflows of Resources	<u>\$189,562</u>	<u>\$392,296</u>	<u>\$581,858</u>

\$39,570 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$59,362)	(\$46,104)	(\$105,466)
2020	(59,362)	(46,104)	(105,466)
2021	(45,423)	(46,104)	(91,527)
2022	(1,284)	(46,104)	(47,388)
2023	0	(12,105)	(12,105)
Thereafter	0	(12,105)	(12,105)
Total	(\$165,431)	(\$208,626)	(\$374,057)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as

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the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease <u>(2.63%)</u>	Current Discount Rate <u>(3.63%)</u>	1% Increase <u>(4.63%)</u>
District's proportionate share of the net OPEB liability	\$2,347,038	\$1,943,512	\$1,623,816

	1% Decrease <u>(6.5 % decreasing to 4.0 %)</u>	Current Trend Rate <u>(7.5 % decreasing to 5.0 %)</u>	1% Increase <u>(8.5 % decreasing to 6.0 %)</u>
District's proportionate share of the net OPEB liability	\$1,577,014	\$1,943,512	\$2,428,577

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

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For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

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Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$4,271,450	\$3,181,751	\$2,320,533
		Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$2,210,544	\$3,181,751	\$4,459,973

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Note 15 - Long-term Obligations

During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.

Governmental-Type Activities	Outstanding 6/30/17	Additions	Deductions	Outstanding 6/30/18	Due in One Year
General Obligation Bonds:					
2011 Classroom Facilities Refunding Bonds:					
Current Interest Term Bonds	\$1,715,000	\$0	(\$265,000)	\$1,450,000	\$275,000
Unamortized Premium	61,816	0	(11,413)	50,403	0
<i>Total General Obligation Bonds</i>	<u>1,776,816</u>	<u>0</u>	<u>(276,413)</u>	<u>1,500,403</u>	<u>275,000</u>
Other Long-Term Obligations:					
Compensated Absences	<u>1,230,625</u>	<u>282,497</u>	<u>(106,583)</u>	<u>1,406,539</u>	<u>35,652</u>
<i>Total Before Net Pension & OPEB Liability</i>	<u>3,007,441</u>	<u>282,497</u>	<u>(382,996)</u>	<u>2,906,942</u>	<u>310,652</u>
Net Pension Liability:					
STRS	26,654,411	0	(7,282,209)	19,372,202	0
SERS	5,138,022	0	(886,937)	4,251,085	0
<i>Total Net Pension Liability</i>	<u>31,792,433</u>	<u>0</u>	<u>(8,169,146)</u>	<u>23,623,287</u>	<u>0</u>
Net OPEB Liability:					
STRS	4,361,276	0	(1,179,525)	3,181,751	0
SERS	2,064,184	0	(120,672)	1,943,512	0
<i>Total Net OPEB Liability</i>	<u>6,425,460</u>	<u>0</u>	<u>(1,300,197)</u>	<u>5,125,263</u>	<u>0</u>
Total Long-Term Obligations	<u><u>\$41,225,334</u></u>	<u><u>\$282,497</u></u>	<u><u>(\$9,852,339)</u></u>	<u><u>\$31,655,492</u></u>	<u><u>\$310,652</u></u>

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 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.

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There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

The School District's overall legal debt margin was \$11,313,237 with an unvoted debt margin of \$133,364 at June 30, 2018.

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

Fiscal Year Ending June 30,	2011 General Obligation Refunding Bonds		
	Current Interest Bonds		
	Principal	Interest	Total
2019	\$275,000	\$49,850	\$324,850
2020	275,000	40,430	315,430
2021	290,000	29,837	319,837
2022	300,000	18,400	318,400
2023	310,000	6,200	316,200
Total	\$1,450,000	\$144,717	\$1,594,717

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.

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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.

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.

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2017	\$736,070
Current Year Set-Aside Requirement	338,395
Qualifying Disbursements	(68,373)
Current year offsets	<u>(1,153,764)</u>
Total	<u>(\$147,672)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Cash balance as of June 30, 2018	<u>\$0</u>

Although the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as 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 \$36,291. The total restricted balance for all set-asides at the end of the fiscal year was \$36,291.

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.

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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 2018. Financial information can be obtained by contacting the Treasurer, Brian Stidham, at 7320 North Palmyra Road Suite 127, Canfield, Ohio, 44406.

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 2018, 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 2018, the Struthers City School District paid \$53,609 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, P.O. Box 549, New Middletown, Ohio 44442.

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

At June 30, 2018, the School District was not party to any legal proceedings.

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by Schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments to fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

Note 21 – Tax Abatements

As of June 30, 2018, the District provides tax abatements through an Enterprise Zone (Ezone). This program relates to the abatement of property taxes.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investments. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the City. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

<u>Tax Abatement Program</u>	<u>Taxes Abated</u>
Enterprise Zone	\$3,980

Note 22 – Compliance

The School District had noncompliance with Ohio Revised Code Section 5705.40 for not properly amending its appropriations throughout the fiscal year and noncompliance with Ohio Revised Code Section 5705.41(B) for expenditures in excess of appropriations for the fiscal year.

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 Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07115050%	0.07020040%	0.07019550%	0.07029300%	0.07029300%
School District's Proportionate Share of the Net Pension Liability	\$4,251,085	\$5,138,022	\$4,005,423	\$3,557,489	\$4,180,099
School District's Covered Payroll	\$2,245,571	\$2,259,825	\$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 Payroll	189.31%	227.36%	179.48%	165.89%	195.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 is not available.

(1) 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 Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.081549260%	0.079629550%	0.077176900%	0.078681820%	0.078681820%
School District's Proportionate Share of the Net Pension Liability	\$19,372,202	\$26,654,411	\$21,329,438	\$19,138,142	\$22,797,229
School District's Covered Payroll	\$8,629,914	\$8,523,337	\$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 Payroll	224.48%	312.72%	260.53%	227.58%	266.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 is not available.

(1) 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 Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Pension Contribution	\$339,547	\$314,380	\$316,376	\$294,137
Pension Contributions in Relation to the Contractually Required Contribution	(\$339,547)	(\$314,380)	(\$316,376)	(\$294,137)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,515,163	\$2,245,571	\$2,259,825	\$2,231,695
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%

2014	2013	2012	2011	2010	2009
\$297,222	\$295,947	\$292,489	\$242,015	\$254,068	\$176,647
(\$297,222)	(\$295,947)	(\$292,489)	(\$242,015)	(\$254,068)	(\$176,647)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,144,457	\$2,138,341	\$2,174,636	\$1,925,336	\$1,876,425	\$1,795,189
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

Struthers City School District

Mahoning County, Ohio

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Pension Contribution	\$1,327,051	\$1,208,188	\$1,193,267	\$1,146,167
Pension Contributions in Relation to the Contractually Required Contribution	(\$1,327,051)	(\$1,208,188)	(\$1,193,267)	(\$1,146,167)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$9,478,940	\$8,629,914	\$8,523,337	\$8,186,906
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$1,093,231	\$1,111,430	\$1,131,746	\$1,082,264	\$1,083,676	\$1,054,542
(\$1,093,231)	(\$1,111,430)	(\$1,131,746)	(\$1,082,264)	(\$1,083,676)	(\$1,054,542)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,409,471	\$8,549,461	\$8,705,741	\$8,325,110	\$8,335,970	\$8,111,862
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Struthers City School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio (SERS)
Last Two Fiscal Years (1)*

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.07241810%	0.07241810%
School District's Proportionate Share of the Net OPEB Liability	\$1,943,512	\$2,064,184
School District Covered Payroll	\$2,245,571	\$2,259,825
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	86.55%	91.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

Note: Information prior to 2017 is not available.

(1) 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 OPEB Liability

State Teachers Retirement System of Ohio (STRS)

Last Two Fiscal Years (1)

	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.08154926%	0.07962955%
School District's Proportionate Share of the Net OPEB Liability	\$3,181,751	\$4,361,276
School District Covered Payroll	\$8,629,914	\$8,523,337
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	36.87%	51.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

Note: Information prior to 2017 is not available.

(1) 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 OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required OPEB Contribution	\$39,570	\$40,472	\$36,592	\$55,839
OPEB Contributions in Relation to the Contractually Required Contribution	(\$39,570)	(\$40,472)	(\$36,592)	(\$55,839)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,425,338	\$2,245,571	\$2,259,825	\$2,231,695
Contributions as a Percentage of Covered Payroll	1.63%	1.80%	1.62%	2.50%

2014	2013	2012	2011	2010	2009
\$54,538	\$49,820	\$56,137	\$70,211	\$50,938	\$115,015
(\$54,538)	(\$49,820)	(\$56,137)	(\$70,211)	(\$50,938)	(\$115,015)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,144,457	\$2,138,341	\$2,174,636	\$1,925,336	\$1,876,425	\$1,795,189
2.54%	2.33%	2.58%	3.65%	2.71%	6.41%

Struthers City School District

Mahoning County, Ohio

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$9,478,940	\$8,629,914	\$8,523,337	\$8,186,906
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$84,095	\$85,495	\$87,057	\$83,251	\$83,360	\$81,119
(\$84,095)	(\$85,495)	(\$87,057)	(\$83,251)	(\$83,360)	(\$81,119)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,409,471	\$8,549,461	\$8,705,741	\$8,325,110	\$8,335,970	\$8,111,862
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Struthers City School District

Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2018

Pension

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date:

- a) The assumed rate of inflation was reduced to 3.0% from 3.25%.
- b) Payroll growth assumption was reduced to 3.50% from 4.0%.
- c) Assumed real wage growth was reduced to 0.50% from 0.75%.
- d) Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- e) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- f) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- g) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.
- h) The discount rate was reduced to 7.50% from 7.75%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date:

- a) The long term expected rate of return was reduced to 7.45% from 7.75%.
- b) The inflation assumption was lowered to 2.50% from 2.75%.
- c) The payroll growth assumption was lowered to 3.0%.
- d) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation.
- e) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016.
- f) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Struthers City School District

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Other Postemployment Benefits (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017 through 2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date:

- a) Assumed rate of inflation was reduced to 3.0% from 3.25%.
- b) Payroll growth assumption was reduced to 3.50% from 4.0%.
- c) Assumed real wage growth was reduced to 0.50% from 0.75%.
- d) Rates of withdrawal, retirement, and disability were updated to reflect recent experience.
- e) Mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.
- f) Mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- g) Mortality among disabled members was updated to the following: RP-2000 Disabled Mortality
- h) Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients to 1.9% from 2.1% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date:

- a) The discount rate was increased to 4.13% from 3.26% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB).
- b) The long term expected rate of return was reduced to 7.45% from 7.75%.
- c) Valuation year per capita health care costs were updated, and the salary scale was modified.
- d) The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased.
- e) The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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SUPPLEMENTARY INFORMATION

**STRUTHERS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster			
(D) School Breakfast Program	10.553	2018	\$ 117,116
(C) National School Lunch Program - Food Donation	10.555	2018	48,071
(D) National School Lunch Program	10.555	2018	543,220
Total National School Lunch Program			591,291
Total U.S. Department of Agriculture and Child Nutrition Cluster			708,407
U.S DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2017	87,545
Title I Grants to Local Educational Agencies	84.010	2018	509,909
Total Title I Grants to Local Educational Agencies			597,454
Special Education Cluster			
Special Education Grants to States	84.027	2017	54,318
Special Education Grants to States	84.027	2018	380,924
Total Special Education Cluster			435,242
Title II-A Supporting Effective Instruction	84.367	2018	91,396
Title IV-A Student Support and Academic Enrichment Program	84.424A	2018	9,754
Total U.S. Department of Education			1,133,846
Total Federal Financial Assistance			\$ 1,842,253

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2018.
- (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, 2018 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 or changes in net position of the Struthers City School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) CFR Section 200.414 of the Uniform Guidance 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 elected not 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, the 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, 2018, 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 25, 2019, wherein we noted as discussed in Note 3, the Struthers City School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In addition, a prior period restatement was required to reclassify internal service fund activity from the Proprietary Funds to the General Fund and to reclassify certain nonmajor governmental funds activity from the Other Governmental Funds to the General Fund.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2018-002 and 2018-003.

Struthers City School District's Response to Findings

The Struthers City School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the Struthers City School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 report is not suitable for any other purpose.



Julian & Grube, Inc.
January 25, 2019



Julian & Grube, Inc.

Serving Ohio Local Governments

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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, 2018. 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, 2018.

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 25, 2019

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

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>	Yes
<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>	Yes
<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>	Special Education Cluster
<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

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Material Weakness – Financial Statement Presentation:

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Certain adjustments were made to the financial statements and note disclosures to properly state financial statement amounts.

The audited financial statements, note disclosures, and District records have been adjusted for the misstatements identified during the audit.

Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made.

We recommend the District implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the basic financial statements prior to filing them in the Hinkle system.

Finding Number	2018-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in developing the original appropriations.

The District did not properly amend its appropriations throughout the fiscal year.

By not properly and timely amending the permanent and final appropriation measures, the potential to overspend in certain funds exists and may hinder the District's ability to effectively budget and monitor disbursements related to the budget.

We recommend the District comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary. We recommend that the Treasurer regularly review all significant due dates of the budgeting process.

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2018-003

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

For the fiscal year ended June 30, 2018, the following fund had expenditures plus outstanding encumbrances in excess of appropriations at the legal level of control:

	Appropriations	Expenditures Plus Encumbrances	Excess
<u>Nonmajor Governmental Funds:</u>			
Bond Retirement Fund	\$ -	\$ 329,167	\$ 329,167
Food Service Fund	\$ 769,719	\$ 784,408	\$ 14,689
Classroom Facilities Maintenance Fund	\$ 68,373	\$ 84,822	\$ 16,449
Capital Projects Fund	\$ 43,499	\$ 81,205	\$ 37,706

With expenditures exceeding appropriations, the District is spending monies that have not lawfully been appropriated by the Board of Education. This may result in unnecessary spending.

We recommend the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget as needed throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



STRUTHERS CITY SCHOOLS

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MR. PETER J. PIRONE JR., SUPERINTENDENT
MR. BRIAN RELLA, TREASURER

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The District will work to provide a sound fiscal environment and has implemented policies and procedures to help with financial statement presentation.	Fiscal Year 2019	Brian Rella, Treasurer
2018-002	The District will monitor the budget guidelines and significant due dates on a continual basis to ensure appropriations are properly amended throughout the year.	Fiscal Year 2019	Brian Rella, Treasurer
2018-003	The District will monitor the budget guidelines and significant due dates on a continual basis to ensure expenditures are not in excess of appropriations during the year.	Fiscal Year 2019	Brian Rella, Treasurer

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OHIO AUDITOR OF STATE
KEITH FABER



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, 2019**