



OHIO AUDITOR OF STATE
KEITH FABER



**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2018**

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TRUMBULL COUNTY
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

Niles City School District
Trumbull County
309 North Rhodes Avenue
Niles, Ohio 44446

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Niles City School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 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 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, each major fund, and the aggregate remaining fund information of the Niles City School District, Trumbull County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pension*. We did not modify our opinion regarding this matter.

The District is experiencing certain financial difficulties. These conditions and management's plans to address these conditions are described in Note 22. We did not modify our opinion regarding this matter.

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 post-employment benefit liabilities and pension and other post-employment 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 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 September 10, 2019, on our consideration of the 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 10, 2019

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Niles City School District
Trumbull County, Ohio

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

The discussion and analysis of the Niles City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased \$11,053,030, which represents a significant increase from fiscal year 2017. 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.
- General revenues accounted for \$28,390,443 in revenue, or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,391,594, or 13 percent of total revenues of \$32,782,037.
- The District had \$21,729,007 in expenses related to governmental activities; \$4,391,594 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$28,390,443 were adequate to provide for these programs on a full accrual basis.
- The District's major governmental funds are the general fund and the bond retirement debt service fund. The general fund had \$ 27,597,651 in revenues and \$27,986,201 in expenditures and transfers out. During fiscal year 2018, the general fund balance decreased \$388,550 from a deficit balance of \$2,284,460 to a deficit balance of \$2,673,010.
- The bond retirement fund balance increased \$130,806 during the year as revenues and transfers in of \$1,808,352 outpaced expenditures of \$1,677,546.
- 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 \$5,990,677, to (\$2,227,437).
- The District's total net pension liability decreased to \$29,245,539 from \$41,047,334 and the OPEB liability decreased to \$6,507,196, from \$8,272,362, a combined decrease of almost \$13.6 million. For more information on these liabilities see Notes 13 and 14 to the basic financial statements.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire 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 District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor

Niles City School District

Trumbull County, Ohio

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

funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are the most significant funds, and the only governmental funds reported as major.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and the change in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the 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 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 financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you 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 basic financial statements.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical, vision and dental self-insurance.

Niles City School District
Trumbull County, Ohio

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in separate Statements of Net Position and Changes in Net Position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017.

Net Position (Table 1)			
Governmental Activities			
	2018	(Restated) 2017	Increase (Decrease)
Assets			
Current and Other Assets	\$14,585,930	\$14,630,365	(\$44,435)
Capital Assets, Net	54,913,393	57,017,942	(2,104,549)
<i>Total Assets</i>	<u>69,499,323</u>	<u>71,648,307</u>	<u>(2,148,984)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	892,132	952,629	(60,497)
Pension	9,290,239	8,310,183	980,056
OPEB	273,281	54,248	219,033
<i>Total Deferred Outflows of Resources</i>	<u>10,455,652</u>	<u>9,317,060</u>	<u>1,138,592</u>
Liabilities			
Current Liabilities	3,934,404	3,891,098	43,306
Long-Term Liabilities			
Due within One Year	1,065,451	1,090,093	(24,642)
Due in More than One Year:			
Net Pension Liability	29,245,539	41,047,334	(11,801,795)
Net OPEB Liability	6,507,196	8,272,362	(1,765,166)
Other Amounts	19,425,114	20,583,878	(1,158,764)
<i>Total Liabilities</i>	<u>60,177,704</u>	<u>74,884,765</u>	<u>(14,707,061)</u>
Deferred Inflows of Resources			
Property Taxes	8,584,782	8,293,350	291,432
Pension	1,595,653	0	1,595,653
OPEB	771,243	14,689	756,554
<i>Total Deferred Inflows of Resources</i>	<u>10,951,678</u>	<u>8,308,039</u>	<u>2,643,639</u>
Net Position			
Net Investment in Capital Assets	37,651,121	38,761,162	(1,110,041)
Restricted	2,831,719	3,072,676	(240,957)
Unrestricted (Deficit)	(31,657,247)	(44,061,275)	12,404,028
<i>Total Net Position</i>	<u>\$8,825,593</u>	<u>(\$2,227,437)</u>	<u>\$11,053,030</u>

Niles City School District
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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.

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.

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Management's Discussion and Analysis
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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability 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.

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.

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2018, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$8,825,593 of which \$2,831,719 is restricted. This includes \$1,995,562 restricted for debt service.

At year-end, capital assets represented nearly 69 percent of total assets and deferred outflows of resources. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Capital assets, net of the related debt to acquire those assets at June 30, 2018, were \$37,651,121. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,831,719, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$31,657,247.

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

Niles City School District

Trumbull County, Ohio

*Management's Discussion and Analysis
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Unaudited*

	Table 2		
	Change in Net Position		
	2018	(Restated) 2017	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,389,213	\$1,505,916	(\$116,703)
Operating Grants and Contributions	2,977,381	3,215,857	(238,476)
Capital Grants and Contributions	25,000	36,771	(11,771)
<i>Total Program Revenues</i>	<u>4,391,594</u>	<u>4,758,544</u>	<u>(366,950)</u>
General Revenues			
Property Taxes	7,827,394	7,896,064	(68,670)
Intergovernmental	20,109,911	18,697,719	1,412,192
Investment Earnings	39,302	24,720	14,582
Miscellaneous	413,836	280,297	133,539
<i>Total General Revenues</i>	<u>28,390,443</u>	<u>26,898,800</u>	<u>1,491,643</u>
<i>Total Revenues</i>	<u>\$32,782,037</u>	<u>\$31,657,344</u>	<u>\$1,124,693</u>
Program Expenses			
Current:			
Instruction:			
Regular	\$7,710,673	\$16,519,888	(\$8,809,215)
Special	2,865,599	4,168,722	(1,303,123)
Vocational	58,730	128,738	(70,008)
Other	1,354,278	1,290,753	63,525
Support Services:			
Pupil	774,584	1,366,731	(592,147)
Instructional Staff	188,353	800,120	(611,767)
Board of Education	92,986	78,738	14,248
Administration	1,451,163	2,833,475	(1,382,312)
Fiscal	654,311	638,025	16,286
Business	153,659	169,474	(15,815)
Operation and Maintenance of Plant	2,377,481	2,913,256	(535,775)
Pupil Transportation	1,007,484	1,332,184	(324,700)
Central	347,521	330,008	17,513
Operation of Non-Instructional Services	1,313,583	1,474,836	(161,253)
Extracurricular Activities	637,139	571,706	65,433
Interest and Fiscal Charges	741,463	1,188,319	(446,856)
<i>Total Program Expenses</i>	<u>21,729,007</u>	<u>35,804,973</u>	<u>(14,075,966)</u>
<i>Change in Net Position</i>	11,053,030	(4,147,629)	15,200,659
Net Position Beginning of Year - Restated	<u>(2,227,437)</u>	N/A	
<i>Net Position End of Year</i>	<u>\$8,825,593</u>	<u>(\$2,227,437)</u>	<u>\$11,053,030</u>

Niles City School District
Trumbull County, Ohio

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

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 \$54,248 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 OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,161,582. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 Program Expenses under GASB 75	\$21,729,007
Negative OPEB Expense under GASB 75	1,161,582
2018 Contractually Required Contributions	51,374
Adjusted 2018 Program Expenses	22,941,963
Total 2017 Program Expenses under GASB 45	35,804,973
Decrease in Program Expenses not Related to OPEB	(\$12,863,010)

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 85 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$11,989,280, or 55 percent of total governmental expenses for fiscal year 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of services supported by taxes and unrestricted State grants and entitlements.

(Table 3)
Total and Net Cost of Program Services

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$11,989,280	\$9,649,384	\$22,108,101	\$19,658,680
Support Services:				
Pupils and Instructional Staff	962,937	556,048	2,166,851	1,683,938
Board of Education, Administration, Fiscal and Business	2,352,119	2,154,512	3,719,712	3,458,632
Operation and Maintenance of Plant	2,377,481	2,377,481	2,913,256	2,913,256
Pupil Transportation	1,007,484	917,458	1,332,184	1,251,006
Central	347,521	347,521	330,008	328,085
Extracurricular Activities	637,139	405,231	571,706	331,665
Operation of Non- Instructional Services	1,313,583	188,315	1,474,836	232,848
Interest and Fiscal Charges	741,463	741,463	1,188,319	1,188,319
<i>Total Expenses</i>	\$21,729,007	\$17,337,413	\$35,804,973	\$31,046,429

Niles City School District
Trumbull County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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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 understanding of operations, please refer to the fund analysis on the next following pages.

The District's Funds

The District's governmental fund balances reported a combined fund balance of (\$468,455), which is lower than last year's total of \$381,880. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2018 and 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (2,673,010)	\$ (2,284,460)	\$ (388,550)	(17.01) %
Bond Retirement	1,730,754	1,599,948	130,806	8.18 %
Other Governmental	<u>473,801</u>	<u>1,066,392</u>	<u>(592,591)</u>	<u>(55.57) %</u>
Total	<u>\$ (468,455)</u>	<u>\$ 381,880</u>	<u>\$ (850,335)</u>	<u>(222.67) %</u>

General Fund

The District's general fund balance decreased \$388,550 from a deficit balance of \$2,284,460 to a deficit balance of \$2,673,010. The decrease in fund balance can be attributed to expenditures exceeding revenues within the fund. Overall, revenues increased \$1,626,760 due mostly to an increase in intergovernmental revenues of \$1,478,417 in fiscal year 2018. Instruction expenditures increased during fiscal year 2018 due to step and cost of living increases and the purchase of additional technology, and support services expenditures decreased due to the District's efforts to reduce operating costs.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,269,410	\$ 6,201,925	\$ 67,485	1.09 %
Earnings on investments	38,024	20,960	17,064	81.41 %
Intergovernmental	19,821,241	18,342,824	1,478,417	8.06 %
Other revenues	<u>1,468,976</u>	<u>1,405,182</u>	<u>63,794</u>	<u>4.54 %</u>
Total	<u>\$ 27,597,651</u>	<u>\$ 25,970,891</u>	<u>\$ 1,626,760</u>	<u>6.26 %</u>
<u>Expenditures</u>				
Instruction	\$ 19,027,757	\$ 17,481,540	\$ 1,546,217	8.84 %
Support services	8,145,280	8,383,518	(238,238)	(2.84) %
Non-instructional services	12,729	52,662	(39,933)	(75.83) %
Extracurricular activities	466,820	369,953	96,867	26.18 %
Capital outlay	56,353	103,919	(47,566)	(45.77) %
Debt service	<u>34,261</u>	<u>34,261</u>	<u>-</u>	<u>- %</u>
Total	<u>\$ 27,743,200</u>	<u>\$ 26,425,853</u>	<u>\$ 1,317,347</u>	<u>4.99 %</u>

Niles City School District
Trumbull County, Ohio

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

Bond Retirement Fund

During fiscal year 2018, the bond retirement debt service fund had \$1,733,470 in revenues, \$74,882 in transfers in and \$1,677,546 in expenditures and the fund balance increased \$130,806, to \$1,730,754.

General Fund Budgeting Highlights

The 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 budgeted fund is the general fund.

During the course of fiscal year 2018, the District amended its general fund budget as needed. For the general fund, original budgeted revenues and other financing sources were \$29,990,566 and final budgeted revenues and other financing sources were \$27,675,513. The District overestimated the amount of State funding it would receive in its original budget. Actual revenues and other financing sources for fiscal year 2018 were \$27,541,291. This represents a \$134,222 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$26,793,160 were increased to \$27,713,819 in the final appropriations. The actual budget basis expenditures for fiscal year 2018 totaled \$27,926,996, which was \$213,177 more than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets The School District's investment in capital assets for its governmental activities as of June 30, 2018, amounted to \$54,913,393 (net of accumulated depreciation).

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

	<u>2018</u>	<u>2017</u>
Land	\$655,575	\$655,575
Land Improvements	2,637,586	2,833,778
Buildings and Improvements	49,341,448	51,042,200
Furniture, Fixtures and Equipment	2,040,336	2,203,261
Vehicles	<u>238,448</u>	<u>283,128</u>
Total	<u>\$54,913,393</u>	<u>\$57,017,942</u>

The overall decrease in capital assets of \$2,104,549 is due to depreciation expense of \$2,188,549 exceeding capital outlays of \$84,080 for fiscal year 2018. See Note 9 to the basic financial statements for additional information. This entire amount is reported in governmental activities.

Niles City School District
Trumbull County, Ohio

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

Debt Administration

At June 30, 2018, the District had the following long term obligations outstanding as compared to June 30, 2017:

(Table 5)
Outstanding Long-Term Obligations

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>(Restated)</u> <u>2017</u>
General Obligation Bonds		
Including Premiums	\$19,072,514	\$19,799,825
Energy Conservation Notes	263,900	395,900
Turf Project Note	0	110,000
Capital Lease	33,372	65,880
Compensated Absences	1,120,729	1,302,366
Net Pension Liability	29,245,539	41,047,334
Net OPEB Liability	6,507,196	8,272,362
Totals	<u>\$56,243,250</u>	<u>\$70,993,667</u>

Of this total, \$1,065,451 is due within one year and \$55,177,799 is due in greater than one year. See Note 10 to the basic financial statements for additional information.

Current Financial Related Activities

In conclusion, the District has committed itself to financial excellence for many years and the District's system of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future. Said challenges will be met with the full cooperation of the Board of Education, administration and staff.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Lori Hudzik, Treasurer, Niles City School District, 309 N. Rhodes, Niles, Ohio, 44446.

Niles City School District

Trumbull County, Ohio

*Statement of Net Position
June 30, 2018*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,724,409
Accounts Receivable	80,189
Intergovernmental Receivable	465,016
Property Taxes Receivable	10,305,532
Inventory Held for Resale	7,960
Materials and Supplies Inventory	2,824
Nondepreciable Capital Assets	655,575
Depreciable Capital Assets, Net	54,257,818
<i>Total Assets</i>	<u>69,499,323</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	892,132
Pension	9,290,239
OPEB	273,281
<i>Total Deferred Outflows of Resources</i>	<u>10,455,652</u>
Liabilities	
Accounts Payable	75,586
Accrued Wages and Benefits Payable	2,554,480
Intergovernmental Payable	649,743
Matured Compensated Absences Payable	33,269
Accrued Interest Payable	81,700
Claims Payable	539,626
Long-Term Liabilities:	
Due Within One Year	1,065,451
Due In More Than One Year:	
Net Pension Liability	29,245,539
Net OPEB Liability	6,507,196
Other Amounts Due in More than One Year	19,425,114
<i>Total Liabilities</i>	<u>60,177,704</u>
Deferred Inflows of Resources	
Property Taxes	8,584,782
Pension	1,595,653
OPEB	771,243
<i>Total Deferred Inflows of Resources</i>	<u>10,951,678</u>
Net Position	
Net Investment in Capital Assets	37,651,121
Restricted for:	
Debt Service	1,995,562
Other Purposes	836,157
Unrestricted (Deficit)	(31,657,247)
<i>Total Net Position</i>	<u>\$8,825,593</u>

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Current:					
Instruction:					
Regular	\$7,710,673	\$856,262	\$1,193,447	\$0	(\$5,660,964)
Special	2,865,599	23,244	256,451	0	(2,585,904)
Vocational	58,730	0	80	0	(58,650)
Other	1,354,278	0	10,412	0	(1,343,866)
Support Services:					
Pupils	774,584	0	175,159	0	(599,425)
Instructional Staff	188,353	0	231,730	0	43,377
Board of Education	92,986	0	0	0	(92,986)
Administration	1,451,163	3,890	193,717	0	(1,253,556)
Fiscal	654,311	0	0	0	(654,311)
Business	153,659	0	0	0	(153,659)
Operation and Maintenance of Plant	2,377,481	0	0	0	(2,377,481)
Pupil Transportation	1,007,484	89,531	495	0	(917,458)
Central	347,521	0	0	0	(347,521)
Operation of Non-Instructional Services	1,313,583	214,272	910,996	0	(188,315)
Extracurricular Activities	637,139	202,014	4,894	25,000	(405,231)
Interest and Fiscal Charges	741,463	0	0	0	(741,463)
Total Governmental Activities	\$21,729,007	\$1,389,213	\$2,977,381	\$25,000	(17,337,413)
General Revenues					
Property Taxes Levied for:					
					6,204,743
					1,448,377
					174,274
Grants and Entitlements not					
					20,109,911
					39,302
					413,836
Total General Revenues					28,390,443
Change in Net Position					11,053,030
<i>Net Position Beginning of Year - Restated (See Note 19)</i>					(2,227,437)
Net Position End of Year					\$8,825,593

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,877	\$1,707,555	\$802,092	\$2,515,524
Accounts Receivable	80,189	0	0	80,189
Intergovernmental Receivable	0	0	465,016	465,016
Property Taxes Receivable	8,369,358	1,721,907	214,267	10,305,532
Inventory Held for Resale	0	0	7,960	7,960
Materials and Supplies Inventory	0	0	2,824	2,824
<i>Total Assets</i>	<u>\$8,455,424</u>	<u>\$3,429,462</u>	<u>\$1,492,159</u>	<u>\$13,377,045</u>
Liabilities				
Accounts Payable	\$57,872	\$0	\$17,714	\$75,586
Accrued Wages and Benefits Payable	2,215,062	0	339,418	2,554,480
Intergovernmental Payable	565,391	0	84,352	649,743
Matured Compensated Absences Payable	33,269	0	0	33,269
Interfund Payable	0	0	242,951	242,951
<i>Total Liabilities</i>	<u>2,871,594</u>	<u>0</u>	<u>684,435</u>	<u>3,556,029</u>
Deferred Inflows of Resources				
Property Taxes	6,972,459	1,433,900	178,423	8,584,782
Unavailable Revenue - Property Taxes	1,284,381	264,808	32,957	1,582,146
Unavailable Revenue - Grants	0	0	122,543	122,543
<i>Total Deferred Inflows of Resources</i>	<u>8,256,840</u>	<u>1,698,708</u>	<u>333,923</u>	<u>10,289,471</u>
Fund Balances				
Nonspendable	0	0	2,824	2,824
Restricted	0	1,730,754	784,884	2,515,638
Committed	0	0	50,224	50,224
Assigned	22,214	0	0	22,214
Unassigned (Deficit)	(2,695,224)	0	(364,131)	(3,059,355)
<i>Total Fund Balances</i>	<u>(2,673,010)</u>	<u>1,730,754</u>	<u>473,801</u>	<u>(468,455)</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,455,424</u>	<u>\$3,429,462</u>	<u>\$1,492,159</u>	<u>\$13,377,045</u>

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018*

Total Governmental Fund Balances	(\$468,455)
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***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.	54,913,393
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	1,582,146
Grants	122,543

Total	1,704,689
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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	9,290,239
Deferred Inflows - Pension	(1,595,653)
Net Pension Liability	(29,245,539)
Deferred Outflows - OPEB	273,281
Deferred Inflows - OPEB	(771,243)
OPEB Liability	(6,507,196)

Total	(28,556,111)
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

912,210

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

(81,700)

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

General Obligation Bonds	(16,780,000)
Capital Appreciation Bonds	(185,000)
Accretion on Bonds	(840,491)
Unamortized Premium on Bonds	(1,267,023)
Deferred Charge on Refunding	892,132
Energy Conservation Note	(263,900)
Capital Lease	(33,372)
Compensated Absences	(1,120,779)

Total	(19,598,433)
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Net Position of Governmental Activities

\$8,825,593

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,269,410	\$1,452,984	\$178,639	\$7,901,033
Tuition and Fees	968,867	0	4,060	972,927
Interest	38,024	0	0	38,024
Charges for Services	0	0	214,272	214,272
Extracurricular Activities	88,343	0	113,671	202,014
Rentals	0	0	0	0
Contributions and Donations	6,825	25,000	4,974	36,799
Intergovernmental	19,821,241	255,486	3,057,101	23,133,828
Miscellaneous	404,941	0	8,895	413,836
<i>Total Revenues</i>	<u>27,597,651</u>	<u>1,733,470</u>	<u>3,581,612</u>	<u>32,912,733</u>
Expenditures				
Current:				
Instruction:				
Regular	13,581,923	0	1,233,720	14,815,643
Special	3,999,398	0	279,269	4,278,667
Vocational	116,856	0	4,080	120,936
Other	1,329,580	0	24,698	1,354,278
Support Services:				
Pupils	1,270,558	0	171,683	1,442,241
Instructional Staff	310,162	0	253,087	563,249
Board of Education	92,148	0	0	92,148
Administration	2,344,299	0	316,992	2,661,291
Fiscal	682,992	26,265	3,560	712,817
Business	161,167	0	208	161,375
Operation and Maintenance of Plant	1,910,470	0	593,480	2,503,950
Pupil Transportation	1,021,402	0	560	1,021,962
Central	352,082	0	0	352,082
Operation of Non-Instructional Services	12,729	0	1,306,554	1,319,283
Extracurricular Activities	466,820	0	126,704	593,524
Capital Outlay	56,353	0	27,727	84,080
Debt Service:				
Principal Retirement	32,508	997,000	0	1,029,508
Interest and Fiscal Charges	1,753	654,281	0	656,034
<i>Total Expenditures</i>	<u>27,743,200</u>	<u>1,677,546</u>	<u>4,342,322</u>	<u>33,763,068</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(145,549)</u>	<u>55,924</u>	<u>(760,710)</u>	<u>(850,335)</u>
Other Financing Sources (Uses)				
Transfers In	0	74,882	243,001	317,883
Transfers Out	(243,001)	0	(74,882)	(317,883)
<i>Total Other Financing Sources (Uses)</i>	<u>(243,001)</u>	<u>74,882</u>	<u>168,119</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(388,550)	130,806	(592,591)	(850,335)
<i>Fund Balance (Deficit) Beginning of Year</i>	(2,284,460)	1,599,948	1,066,392	381,880
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$2,673,010)</u>	<u>\$1,730,754</u>	<u>\$473,801</u>	<u>(\$468,455)</u>

See accompanying notes to the basic financial statements

Niles City School District
Trumbull 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 (\$850,335)

***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 is 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	84,080
Current Year Depreciation	(2,188,629)

Total (2,104,549)

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

Property Taxes	(73,639)
Intergovernmental Grants	(88,335)

Total (131,974)

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

1,029,508

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 & Notes	2,757
Accreted Interest on Capital Appreciation Bonds	(121,615)
Amortization of Bond Premiums	93,926
Amortization of Deferred Charge on Refunding	(60,497)

Total (85,429)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	2,002,150
OPEB	51,374

Total 2,053,524

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	9,198,738
OPEB	1,161,581

Total 10,360,319

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

181,587

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

600,379

Change in Net Position of Governmental Activities

\$11,053,030

See accompanying notes to the basic financial statements

Niles City School District
Trumbull 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	\$6,778,959	\$6,229,365	\$6,190,888	(\$38,477)
Tuition and Fees	1,055,563	974,082	968,377	(5,705)
Interest	41,447	38,248	38,024	(224)
Intergovernmental	21,605,815	19,938,003	19,821,241	(116,762)
Miscellaneous	508,782	495,815	522,761	26,946
<i>Total Revenues</i>	<u>29,990,566</u>	<u>27,675,513</u>	<u>27,541,291</u>	<u>(134,222)</u>
Expenditures				
Current:				
Instruction:				
Regular	13,187,502	13,537,657	13,672,168	(134,511)
Special	3,871,800	3,974,604	3,974,604	0
Vocational	113,073	116,075	116,075	0
Other	1,295,190	1,329,580	1,329,580	0
Support Services:				
Pupils	1,241,281	1,274,240	1,274,240	0
Instructional Staff	301,148	309,144	309,144	0
Board of Education	89,765	92,148	92,148	0
Administration	2,180,341	2,238,233	2,255,364	(17,131)
Fiscal	623,025	639,568	640,152	(584)
Business	156,280	160,430	160,737	(307)
Operation and Maintenance of Plant	1,955,054	2,006,965	2,015,265	(8,300)
Pupil Transportation	1,034,851	1,062,328	1,079,805	(17,477)
Central	305,019	313,118	313,280	(162)
Operation of Non-Instructional Services	12,387	12,716	13,666	(950)
Extracurricular Activities	367,076	376,823	376,823	0
Capital Outlay	59,368	60,944	60,944	0
<i>Total Expenditures</i>	<u>26,793,160</u>	<u>27,504,573</u>	<u>27,683,995</u>	<u>(179,422)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,197,406</u>	<u>170,940</u>	<u>(142,704)</u>	<u>(313,644)</u>
Other Financing Sources (Uses)				
Transfers Out	0	(209,246)	(243,001)	(33,755)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(209,246)</u>	<u>(243,001)</u>	<u>(33,755)</u>
<i>Net Change in Fund Balance</i>	3,197,406	(38,306)	(385,705)	(347,399)
<i>Fund Balance Beginning of Year</i>	145,327	145,327	145,327	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$3,342,733</u>	<u>\$107,021</u>	<u>(\$240,378)</u>	<u>(\$347,399)</u>

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

Statement of Fund Net Position

Proprietary Fund

June 30, 2018

	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,208,885
Interfund Receivable	<u>242,951</u>
<i>Total Assets</i>	1,451,836
Liabilities	
Claims Payable	<u>539,626</u>
Net Position	
Unrestricted	<u><u>\$912,210</u></u>

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

*Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	<u>\$5,596,868</u>
Operating Expenses	
Purchased Services	904,399
Claims	4,093,368
<i>Total Operating Expenses</i>	<u>4,997,767</u>
<i>Operating Income</i>	599,101
Non-Operating Revenues	
Interest	<u>1,278</u>
<i>Change in Net Position</i>	600,379
<i>Net Position Beginning of Year</i>	<u>311,831</u>
<i>Net Position End of Year</i>	<u><u>\$912,210</u></u>

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2018

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$5,596,868
Cash Payments for Claims	<u>(4,947,280)</u>
<i>Net Cash Provided by Operating Activities</i>	649,588
Cash Flows from Investing Activities	
Interest on Investments	1,278
Cash Flows from Noncapital Financing Activities	
Loans to Other Funds	<u>(242,951)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	407,915
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>800,970</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,208,885</u></u>
 Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income	\$599,101
Adjustments:	
Change in Claims Payable	<u>50,487</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$649,588</u></u>
 See accompanying notes to the basic financial statements	

Niles City School District

Trumbull County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trust	
	Scholarship	Agency
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$266,309	\$23,101
Current Liabilities		
Due to Students	0	\$23,101
Net Position		
Held in Trust for Scholarships	\$266,309	

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

*Statement of Changes in Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2018*

	<u>Scholarship</u>
Additions	
Interest	\$1,114
Contributions and Donations	<u>1,500</u>
<i>Total Additions</i>	2,614
Deductions	
Scholarships Awarded	<u>0</u>
<i>Change in Net Position</i>	2,614
<i>Net Position Beginning of Year</i>	<u>263,695</u>
<i>Net Position End of Year</i>	<u><u>\$266,309</u></u>

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Niles City School District (the "District") operates under a locally-elected five-member Board and provides educational services as mandated by State and/or Federal agencies. The Board controls the District's 6 instructional and support service facilities, which are staffed by 185 certified and 92 classified employees who provide services to students and other community members.

The District is located in Niles, Ohio, in Trumbull County, and includes an area covering eight square miles throughout the City. The District is the 166th largest among the 918 public school districts and community schools in the State of Ohio in terms of enrollment. The enrollment of the District during fiscal year 2018 was 2,280.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the 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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

Niles City School District
Trumbull County, Ohio

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

JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Management Information Network

The Northeast Ohio Management Information Network (NEOMIN) is a jointly governed organization among various school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten voting members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, the fiscal agent (or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A copy of NEOMIN's financial statements may be obtained from the Trumbull County Education Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

RELATED ORGANIZATION

McKinley Memorial Library

The McKinley Memorial Library (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Niles City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the McKinley Memorial Library, Treasurer/Clerk, 40 North Main Street, Niles, Ohio, 44446.

PUBLIC ENTITY RISK POOLS

Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Workers' Compensation Group Rating Plan (the "Plan") has been established through Benefit Management, Inc. as a group purchasing pool. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The 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.

Niles City School District
Trumbull County, Ohio

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

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 and deferred outflows of resources less liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund accounts for the retirement of serial bonds and short-term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans, shall be paid into this fund.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of services provided by one fund or department to other funds or departments of the District on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision insurance benefits to employees.

FIDUCIARY FUNDS

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

Niles City School District
Trumbull County, Ohio

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Niles City School District
Trumbull County, Ohio

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

The private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, student fees and rentals.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements 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 District, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding, pension and OPEB. 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 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

Niles City School District
Trumbull County, Ohio

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

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 District unavailable revenue includes delinquent property taxes and intergovernmental grants. 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 entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund, function and object level for the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the

Niles City School District
Trumbull County, Ohio

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

year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the first and final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any legal level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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 budget amounts reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the original and final budgeted amounts represent the first and final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, all cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the 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 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 \$38,024, \$37,589 of which was assigned from other

Niles City School District
Trumbull County, Ohio

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

funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/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. Capital Assets

Governmental capital assets are those assets specifically related to governmental activities. 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. Donated capital assets are recorded at their acquisition value as of the date received. For fiscal year 2018, the District maintained a capitalization threshold of \$5,000. The 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 extend an asset's life are not.

All reported capital assets except land 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:

Description	Estimated Lives
Land Improvements	5 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable" and "interfund loans payable", or "due from other funds" and "due to other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employees for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

In accordance with the provisions of GASB Statement No. 16, "Accounting For Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee at least 50 years old with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Classifications

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned. In other governmental funds, unassigned is used to report a deficit balance.

The District applies restricted resources first when an expenditure is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

M. Operating Revenues and Expenses

Operating revenues are those revenues generated directly from the primary activity of the internal service fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Any revenues or expenses not meeting the definitions of operating are reported as non-operating.

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include amounts restricted for food service, non-public schools and community involvement.

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

O. Estimates

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

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

P. 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 and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Q. Parochial School

Within the District boundaries is the St. Stephens parochial school. Current state legislation provides funding to parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a non-major governmental fund for financial reporting purposes.

R. Unamortized Premiums

Premiums on bond issuance are deferred and accreted over the term of the debt and are presented as an addition to the face amount of the debt.

On the governmental fund financial statements premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.

S. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

T. 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.

Niles City School District
Trumbull County, Ohio

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

U. Fair Market Value

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

NOTE 3 – ACCOUNTABILITY

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

<u>Major Fund:</u>	<u>Deficit</u>
General Fund	\$2,673,010
<u>Nonmajor Funds:</u>	
Food Service Fund	194,478
Uniform School Supplies	75
IDEA Part B Fund	74,042
Title I Fund	87,432
IDEA Preschool Grant	306
Improving Teacher Quality Fund	4,974

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

Negative fund balances, with requested payments included, for the months of November, February, April and June for the general fund, Title VI-B, Title I, and Title II-A are below:

<u>Major Fund:</u>	<u>Deficit</u>			
	<u>November</u>	<u>February</u>	<u>April</u>	<u>June</u>
General Fund	\$ -	\$ -	\$ -	(\$183,172)
<u>Nonmajor Funds:</u>				
Title VI-B Fund	(45,055)	(149,475)	(90,744)	(134,250)
Title I Fund	-	-	-	(93,193)
Title II-A Fund	-	-	-	(9,468)

Contrary to Ohio Revised Code Section 5705.10(I), the District had negative cash fund balances in the General Fund and the Food Service Fund at June 2018 of \$183,172 and \$66,537, respectively.

Contrary to Ohio law, the District transferred \$100,000 from an agency fund (Workers Compensation) to the General fund and \$100,000 from the internal service fund (School Benefits) to the General Fund. The transfers do not meet the criteria for proper transfers set forth on Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 4 - 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 District treasury. Active monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawals 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 that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the 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.

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. Investments may only be made through specified dealers and institutions.

Niles City School District
Trumbull County, Ohio

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

A. Deposits with Financial Institutions

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At June 30th, the carrying amount of all School District deposits was \$2,484,444, while \$1,392,826 of the School District's bank balance of \$2,594,659 was insured and collateralized. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS).

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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.

C. Investments

As of June 30, 2018, the District had STAR Ohio as the only investment with an amount of \$1,529,375 and an average maturity less than six months. STAR Ohio is measured at net asset value per share.

Interest Rate Risk The District has no investment policy that addresses the interest rate risk. State statutes requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk STAR Ohio carries a rating of AAAM by Standard & Pool's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 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 District places no limit on the account it may invest in any one issuer. At June 30, 2018, STAR Ohio represented 100 percent of all District investments.

Niles City School District
Trumbull County, Ohio

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

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 note disclosure 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	\$2,484,444	Governmental Activities	\$3,724,409
Investments	1,529,375	Private Purpose Trust Funds	266,309
		Agency Fund	23,101
Total	\$4,013,819		\$4,013,819

NOTE 5 - INTERFUND TRANSACTIONS

A. Advances

Due from and to other funds at June 30, 2018 consisted of the following amounts, as reported in the fund financial statements:

	<u>Due from:</u>
	Nonmajor Special
	<u>Revenue Funds</u>
<u>Due to:</u>	
Employee Benefits Self Insurance Fund	\$242,951

The purpose of these amounts due from and to other funds is to cover negative cash balances in non-major special revenue funds. The District may maintain negative cash balances if two criteria are met: (1) the general fund must have available and unencumbered funds to cover the negative amounts; and (2) a reimbursement request must have been submitted by the fiscal year-end. The District has not met these two requirements as the general fund has a negative unencumbered balance.

This amount will be repaid once the anticipated revenues are received. Amounts due from and to other funds between governmental funds are eliminated on the government-wide financial statements.

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

B. Transfers

The District made the following interfund transfers during the current fiscal year;

	Transfers In	Transfers Out
Major Governmental Funds:		
General	\$0	\$243,001
Bond Retirement	74,882	0
Non-major Governmental Funds:		
Food Service	239,926	0
District Managed Student Activity	3,075	0
Classroom Facilities	0	74,882
Total	\$317,883	\$317,883

Transfers are used to move revenues from the fund that statute or budget required 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 authorization. Transfers are also used to close out the funds that are no longer required.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2013, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the 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 of second-half real property taxes available for advance at fiscal year-end 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 year operations is offset to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018 was \$112,518 in the general fund, \$23,199 in the bond retirement debt service fund and \$2,887 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2017 was \$33,996 in the general fund, \$6,789 in the bond retirement debt service fund and \$941 in the classroom facilities maintenance special revenue fund. The difference was in timing and collection by the County Auditor.

On the accrual basis of accounting, 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		2018 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$213,624,840	98.70 %	\$219,087,860	98.54 %
Public Utility Personal	2,806,100	1.30	3,239,430	1.46
Total	\$216,430,940	100.00 %	\$222,327,290	100.00 %
Tax rate per \$1,000 of assessed valuation	\$56.20		\$56.55	

Niles City School District
Trumbull County, Ohio

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

NOTE 7 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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	Bond Retirement	Nonmajor Governmental	Total
<i>Nonspendable:</i>				
Inventory	\$0	\$0	\$2,824	\$2,824
<i>Restricted for:</i>				
Technology Improvements	\$0	\$0	\$15,386	\$15,386
School Net	0	0	21,391	21,391
Classroom Maintenance	0	0	611,432	611,432
Debt Service Payments	0	1,730,754	0	1,730,754
Capital Improvements	0	0	25,448	25,448
Other Purposes	0	0	111,227	111,227
<i>Total Restricted</i>	<u>0</u>	<u>1,730,754</u>	<u>784,884</u>	<u>2,515,638</u>
<i>Committed to:</i>				
Extracurricular Activities	0	0	46,150	46,150
Capital Improvements	0	0	4,074	4,074
<i>Total Committed</i>	<u>0</u>	<u>0</u>	<u>50,224</u>	<u>50,224</u>
<i>Assigned to:</i>				
Other Purposes	22,214	0	0	22,214
<i>Unassigned (Deficit)</i>	<u>(2,695,224)</u>	<u>0</u>	<u>(364,131)</u>	<u>(3,059,355)</u>
<i>Total Fund Balances</i>	<u><u>(\$2,673,010)</u></u>	<u><u>\$1,730,754</u></u>	<u><u>\$473,801</u></u>	<u><u>(\$468,455)</u></u>

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts, and intergovernmental grants and entitlements. 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

<u>Governmental Activities</u>	<u>Amount</u>
Property Taxes	\$10,305,532
Accounts	80,189
Intergovernmental	465,016
Total	<u><u>\$10,850,737</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 – 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:				
<i>Capital assets not being depreciated:</i>				
Land	\$655,575	\$0	\$0	\$655,575
<i>Capital assets being depreciated:</i>				
Land improvements	4,073,194	0	0	4,073,194
Buildings and improvements	62,609,586	0	0	62,609,586
Furniture, fixtures and equipment	4,615,994	84,080	0	4,700,074
Vehicles	1,100,203	0	0	1,100,203
<i>Total capital assets being depreciated</i>	<u>72,398,977</u>	<u>84,080</u>	<u>0</u>	<u>72,483,057</u>
<i>Accumulated depreciation:</i>				
Land improvements	(1,239,416)	(196,192)	0	(1,435,608)
Buildings and improvements	(11,567,386)	(1,700,752)	0	(13,268,138)
Furniture, fixtures and equipment	(2,412,733)	(247,005)	0	(2,659,738)
Vehicles	(817,075)	(44,680)	0	(861,755)
<i>Total accumulated depreciation</i>	<u>(16,036,610)</u>	<u>(2,188,629) *</u>	<u>0</u>	<u>(18,225,239)</u>
Capital assets being depreciated, net	<u>56,362,367</u>	<u>(2,104,549)</u>	<u>0</u>	<u>54,257,818</u>
Governmental activities capital assets, net	<u>\$57,017,942</u>	<u>(\$2,104,549)</u>	<u>\$0</u>	<u>\$54,913,393</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,889,616
Special	413
Support Services:	
Pupil	1,216
Instructional Staff	40,299
Board of Education	1,972
Administration	22,797
Fiscal	269
Operation and Maintenance of Plant	35,773
Pupil Transportation	73,560
Operation of Non-Instructional Services	68,592
Extracurricular	54,122
Total Depreciation Expense	<u><u>\$2,188,629</u></u>

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 10 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2018 were as follows:

	(Restated) Outstanding 6/30/17	Additions	Deductions/ Refunded	Outstanding 6/30/18	Amounts due in One Year
General Obligation Bonds:					
<i>2009 Ohio School Facilities Construction (O.S.F.C.) Bonds:</i>					
Current Interest Serial Bonds	\$620,000	\$0	(\$280,000)	\$340,000	\$340,000
Capital Appreciation Bonds	120,000	0	(25,000)	95,000	30,000
Accreted Interest	550,767	66,785	(35,000)	582,552	40,000
Unamortized Premium	14,485	0	(7,243)	7,242	0
Total 2009 O.S.F.C. Bonds	1,305,252	66,785	(347,243)	1,024,794	410,000
<i>2010 Refunding General Obligation (G.O.) Bonds:</i>					
Current Interest Serial Bonds	2,155,000	0	(405,000)	1,750,000	425,000
Capital Appreciation Bonds	90,000	0	0	90,000	0
Accreted Interest	203,109	54,830	0	257,939	0
Unamortized Premium	56,878	0	(23,520)	33,358	0
Total 2010 Refunding G.O. Bonds	2,504,987	54,830	(428,520)	2,131,297	425,000
<i>2016 Refunding O.S.F.C. Bonds:</i>					
Current Interest Term & Serial Bonds	14,700,000	0	(10,000)	14,690,000	10,000
Unamortized Premium	1,289,586	0	(63,163)	1,226,423	0
Total 2016 Refunding O.S.F.C. Bonds	15,989,586	0	(73,163)	15,916,423	10,000
Total General Obligation Bonds	19,799,825	121,615	(848,926)	19,072,514	845,000
Other Long-Term Obligations:					
Energy Conservation Notes	395,900	0	(132,000)	263,900	132,000
Turf Project Note	110,000	0	(110,000)	0	0
Capital Lease (Busses)	65,880	0	(32,508)	33,372	33,372
Compensated Absences	1,302,366	0	(181,637)	1,120,729	55,079
Total Other Long-Term Obligations	1,874,146	0	(456,145)	1,418,001	220,451
Total Before Net Pension & OPEB Liability	21,673,971	121,615	(1,305,071)	20,490,515	1,065,451
Net Pension Liability:					
STRS	33,753,508	0	(10,348,298)	23,405,210	0
SERS	7,293,826	0	(1,453,498)	5,840,328	0
Total Net Pension Liability	41,047,334	0	(11,801,796)	29,245,538	0
Net OPEB Liability:					
STRS	5,269,229	0	(1,425,084)	3,844,145	0
SERS	3,003,133	0	(340,082)	2,663,051	0
Total Net OPEB Liability	8,272,362	0	(1,765,166)	6,507,196	0
Total Long-Term Obligations	\$70,993,667	\$121,615	(\$14,872,033)	\$56,243,249	\$1,065,451

Niles City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

General Obligation Bonds: During fiscal year 2009, the District issued general obligation bonds to provide funds for the construction of a new high school building and a new elementary school building (the “construction project”). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. The source of payment is derived from a current 1.4 mil bonded debt tax levy for the construction project. In the fund financial statements, the principal and interest payments on these bonds are recorded as expenditures in the bond retirement debt service fund. In the government-wide financial statements, the principal payments on these bonds are used to reduce the liability.

These bonds represent the amount of the construction project that the District was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC made quarterly disbursements to the District during the construction project. The total cost of the construction project was \$54,452,539, of which OSFC paid \$37,470,722.

In conjunction with the 6.5 mils which support the bond issuance, the District also passed a 0.5 mil levy in fiscal year 2009 to fund the maintenance costs of the new facilities. Tax revenue from this levy is reported in the special revenue funds.

This bond issuance is comprised of current interest bonds, par value \$9,904,893, current interest term bonds, par value \$8,220,000, and capital appreciation bonds, par value \$120,000. The interest rates on the current interest bonds range from 2.00% to 5.00%. The interest rates on the current interest term bonds range from 4.875% to 5.00%. The capital appreciation bonds mature on December 1, 2017 (10.655%), December 1, 2018 (9.186%), December 1, 2019 (23.634%) and December 1, 2020 (23.225%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital acquisition bonds is \$860,000. A total of \$582,552 in accreted interest on the capital appreciation bonds has been included in the long-term liabilities on the statement of net position at June 30, 2018. The current interest bonds maturing on or after December 1, 2019 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2019 and thereafter	100.0% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issuance is December 1, 2036.

Series 2010 Refunding General Obligation Bonds: On July 13, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund the callable portion of the Series 2001 school improvement current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded current interest bonds at June 30, 2018, is \$2,180,000.

The refunding issue is comprised of both current interest bonds, par value \$3,445,000, and capital appreciation bonds par value \$90,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. The capital appreciation bonds mature on December 1, 2019 (effective interest rate 17.91%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2019 is \$450,000. Total accreted interest of \$257,939 has been included in the statement of net position at June 30, 2018.

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Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$122,978. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 11 years by \$926,065 and resulted in an economic gain of \$194,449.

Series 2017 General Obligation School Facilities Improvement Refunding Bonds: On June 20, 2017, the District issued general obligation bonds (Series 2017 Refunding Bonds) to advance refund the callable portion of the Series 2009 school facilities improvement current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded current interest bonds at June 30, 2018, is \$13,630,000.

The refunding issue is comprised of current interest bonds, par value \$9,830,000, and term bonds par value \$4,870,000. The interest rates on the current interest bonds range from 3.00% - 5.00% and mature December 1, 2032. The term bonds range from 2.00% - 5.00% and mature on December 1, 2036.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2036.

The reacquisition price exceeded the net carrying amount of the old debt by \$925,021. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 19.5 years by \$1,891,549 and resulted in an economic gain of \$1,474,332.

Energy Conservation Notes: During fiscal year 2005, the District issued energy conservation notes in the amount of \$1,979,900. These notes were issued on April 14, 2005, mature on March 15, 2020, and carry an interest rate of 4.35%. These notes are a general obligation of the District and are reported as a component of long-term liabilities on the statement of net position.

Turf Project Notes: During fiscal year 2014, the District issued notes in the amount of \$550,000 for new field turf in the football stadium. These notes were issued on July 16, 2013, matured on May 1, 2018, and carried an interest rate of 3.0%. The District secured \$340,000 in private donations to offset the cost of this project and pay back these notes over their term. These notes are a general obligation of the District and are reported as a component of long-term liabilities on the statement of net position.

Compensated Absences: Compensated absences will be paid out of the fund from which the employee is paid, which is primarily the general fund.

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.

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

Principal and interest payments to retire the long-term obligations as of June 30, 2018 are as follows:

Fiscal Year Ended	Current Interest Bonds, Series 2009			Capital Appreciation Bonds, Series 2009		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$340,000	\$709,919	\$1,049,919	\$30,000	\$40,000	\$70,000
2020	0	0	0	35,000	325,000	360,000
2021	0	0	0	30,000	340,000	370,000
Total	\$340,000	\$709,919	\$1,049,919	\$95,000	\$705,000	\$800,000

Fiscal Year Ended	Current Interest Bonds, Series 2010			Capital Appreciation Bonds, Series 2010		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$425,000	\$59,288	\$484,288	\$0	\$0	\$0
2020	0	51,850	51,850	90,000	360,000	450,000
2021	460,000	43,225	503,225	0	0	0
2022	480,000	25,000	505,000	0	0	0
2023	385,000	7,700	392,700	0	0	0
Total	\$1,750,000	\$187,063	\$1,937,063	\$90,000	\$360,000	\$450,000

Fiscal Year Ended	Current Interest Refunding Bonds, Series 2017			Energy Conservation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$10,000	\$576,063	\$586,063	\$132,000	\$10,292	\$142,292
2020	80,000	575,164	655,164	131,900	4,555	136,455
2021	85,000	573,088	658,088	0	0	0
2022	530,000	563,863	1,093,863	0	0	0
2023	970,000	979,324	1,949,324	0	0	0
2024 - 2028	3,870,000	2,221,362	6,091,362	0	0	0
2029 - 2033	5,475,000	1,342,336	6,817,336	0	0	0
2034 - 2037	3,670,000	274,481	3,944,481	0	0	0
Total	\$14,690,000	\$7,105,681	\$21,795,681	\$263,900	\$14,847	\$278,747

*** The District secured \$390,000 in private donations to offset the cost of the Turf Project Note which will be paid in full next fiscal year. Final payment of \$110,000 in principal and \$2,482 in interest was made in fiscal year 2018.

Legal Debt Margins: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

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Notes to the Basic Financial Statements
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The effects of these debt limitations at June 30, 2018, are a legal voted debt margin of \$4,884,635 (including available funds of \$1,840,179), a legal unvoted debt margin of \$222,327, and a legal energy conservation debt margin of \$2,223,273.

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per year, depending on length of service. Accumulated, unused vacation time is paid to administrators upon termination of employment. Certified teachers do not earn vacation time.

Certified teachers, administrators, and classified employees earn sick leave at a rate of 1.25 days per month.

For certified employees, there is no maximum number of sick leave days that can be accumulated. Upon retirement, payment is made for 25 percent of up to 200 days of the unused accumulated sick leave days, not to exceed 50 days, and \$30 per day shall be paid for all unused accumulated sick leave days in excess of 200 days. For classified employees, there is no maximum number of sick leave days that can be accumulated. Upon retirement, payment is made for 35 percent of up to 200 days of the unused accumulated sick leave days, not to exceed 70 days, and \$50 per day shall be paid for all unused accumulated sick leave days in excess of 200 days.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The 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 District contracted with Harcum-Hylant Agency, Inc. for property, liability and fleet insurance. The insurance coverages are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Coverage provided by Harcum-Hylant Agency:	
Building and Personal Property (\$5,000 deductible)	\$83,174,553
Crime:	
Employee Theft (\$1,000 deductible)	50,000
Money and Securities:	
Inside Premises	10,000
Outside Premises	10,000
General Liability (\$2,500 deductible)	
Per occurrence	4,000,000
Total Aggregate per Year	4,000,000
Automobile Liability Combine Single Limits	6,000,000
Non-Owned Liability	1,000,000
Hired Liability	1,000,000

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Settled claims have not exceeded commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to all employees that work four (4) hours or more per day through Anthem Life Group.

C. Employee Medical Benefits

The District has established an Employee Benefits Self-Insurance internal service fund in order to account for and finance employee benefit plans. Through this fund, medical, dental, vision and prescription drug insurances are offered to employees of the District.

The District pays the following premiums into the fund for coverage:

Insurance Coverage	Family	Single
Medical & Prescription Drug	\$1,501	\$671
Dental	74	19
Vision	20	5
Cobra Charge	2	2
Brokerage Fee	6	6
Total Premium	\$1,603	\$703

The claims liability of \$539,626 reported in the Employee Benefits Self-Insurance internal service fund at June 30, 2018 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting And Financial Reporting For Risk Financing And Related Insurance Issues", and as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Claims activity for the current year is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	507,897	4,489,492	4,508,250	\$489,139
2018	489,139	5,024,440	4,973,953	539,626

D. Workers' Compensation

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Workers' Compensation Group Rating Plan (the "Plan") has been established through Benefit Management, Inc. as a group purchasing pool. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

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The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. Benefit Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

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.

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.

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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.

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 \$423,311 for the fiscal year ended June 30, 2018. Of this amount \$248,388 was reported as an intergovernmental payable.

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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.

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.

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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 \$1,578,839 for the fiscal year ended June 30, 2018. Of this amount \$268,876 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 Districts proportion of the net pension liability was based on the Districts 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	0.09965500%	0.10083797%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.09774970%</u>	<u>0.09852662%</u>	
Change in Proportionate Share	<u>-0.00190530%</u>	<u>-0.00231135%</u>	
Proportionate Share of the Net Pension Liability	\$5,840,329	\$23,405,210	\$29,245,539
Pension Expense	(\$250,446)	(\$8,948,292)	(\$9,198,738)

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	\$251,344	\$903,800	\$1,155,144
Change of Assumptions	302,008	5,118,977	5,420,985
Change in Proportionate Share	41,619	670,341	711,960
District contributions subsequent to the measurement date	<u>423,311</u>	<u>1,578,839</u>	<u>2,002,150</u>
Total Deferred Outflows of Resources	<u>\$1,018,282</u>	<u>\$8,271,957</u>	<u>\$9,290,239</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$188,637	\$188,637
Net difference between projected and actual earnings on pension plan investments	27,724	772,399	800,123
Change in Proportionate Share	<u>98,492</u>	<u>508,401</u>	<u>606,893</u>
Total Deferred Inflows of Resources	<u>\$126,216</u>	<u>\$1,469,437</u>	<u>\$1,595,653</u>

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\$2,002,150 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	\$192,444	\$1,154,262	\$1,346,706
2020	339,995	2,204,994	2,544,989
2021	72,466	1,582,650	1,655,116
2022	(136,150)	281,775	145,625
Total	<u>\$468,755</u>	<u>\$5,223,681</u>	<u>\$5,692,436</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.

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

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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>	

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.

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$8,104,858	\$5,840,329	\$3,943,323

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.

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.

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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	\$33,550,572	\$23,405,210	\$14,859,263

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

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.

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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 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.

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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 \$51,374 for fiscal year 2018. The full amount has been contributed for the fiscal year.

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.

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:

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	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.09965500%	0.09852662%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.09922920%</u>	<u>0.09852662%</u>	
Change in Proportionate Share	<u>-0.00042580%</u>	<u>0.00000000%</u>	
Proportionate Share of the Net OPEB Liability	\$2,663,051	\$3,844,145	\$6,507,196
OPEB Expense	\$11,444	(\$1,173,025)	(\$1,161,581)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$221,907	\$221,907
District contributions subsequent to the measurement date	<u>51,374</u>	<u>0</u>	<u>51,374</u>
Total Deferred Outflows of Resources	<u>\$51,374</u>	<u>\$221,907</u>	<u>\$273,281</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$7,033	\$164,307	171,340
Change of Assumptions	252,709	309,659	562,368
Change in Proportionate Share	<u>37,535</u>	<u>0</u>	<u>37,535</u>
Total Deferred Inflows of Resources	<u>\$297,277</u>	<u>\$473,966</u>	<u>\$771,243</u>

\$51,374 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$106,920)	(\$55,702)	(\$162,622)
2020	(106,920)	(55,702)	(162,622)
2021	(81,678)	(55,702)	(137,380)
2022	(1,759)	(55,702)	(57,461)
2023	0	(14,626)	(14,626)
Thereafter	<u>0</u>	<u>(14,625)</u>	<u>(14,625)</u>
Total	<u>(\$297,277)</u>	<u>(\$252,059)</u>	<u>(\$549,336)</u>

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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

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.

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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

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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 (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$3,215,973	\$2,663,051	\$2,224,995

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$2,160,866	\$2,663,051	\$3,327,701

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.

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.

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Notes to the Basic Financial Statements
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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	 <u>100.00 %</u>	

* 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.

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

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Notes to the Basic Financial Statements
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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	\$5,160,703	\$3,844,145	\$2,803,634								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;"></th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">1% Decrease</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">Current Trend Rate</th> <th style="width: 25%; text-align: center; border-bottom: 1px solid black;">1% Increase</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">District's proportionate share of the net OPEB liability</td> <td style="text-align: center;">\$2,670,747</td> <td style="text-align: center;">\$3,844,145</td> <td style="text-align: center;">\$5,388,474</td> </tr> </tbody> </table>					1% Decrease	Current Trend Rate	1% Increase	District's proportionate share of the net OPEB liability	\$2,670,747	\$3,844,145	\$5,388,474
	1% Decrease	Current Trend Rate	1% Increase								
District's proportionate share of the net OPEB liability	\$2,670,747	\$3,844,145	\$5,388,474								

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and the classroom facilities maintenance fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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*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. This includes the special rotary fund and the public school support fund.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and classroom facilities maintenance fund are as follows:

	<u>General</u>
GAAP Basis	(\$388,550)
Net Adjustment for Revenue Accruals	88,062
Net Adjustment for Expenditure Accruals	143,953
Net Adjustment for Funds Budgeted as Special Revenue	(171,964)
Adjustment for Encumbrances	<u>(57,206)</u>
Budget Basis	<u><u>(\$385,705)</u></u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2018.

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, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the District, and these adjustments were insignificant.

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

NOTE 17 - STATUTORY RESERVES

The 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.

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-Aside Requirement	426,919
Qualifying Disbursements	(379,453)
Current year offsets	(209,135)
Total	(\$161,669)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Cash balance as of June 30, 2018	\$0

Although the School District had qualifying disbursements and 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.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund Type	Outstanding Encumbrances
General Fund	\$57,206
Other Nonmajor Governmental Funds	42,879
Self Insurance Internal Service Fund	\$490,495
Fiduciary Funds	24,288
	\$614,868

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

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE & RESTATEMENT OF PRIOR YEAR 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”.

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.

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

B. Restatement of Prior Year Net Position

	Governmental Activities
Net Position at June 30, 2017, as Previously Reported	\$5,990,677
<i>Adjustments:</i>	
Net Other Postemployment Benefit (OPEB) Liability	(8,272,362)
Deferred Outflow - District's Contributions Made Subsequent to Measurement Date	54,248
Restated Net Position at June 30, 2017	(\$2,227,437)

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.

NOTE 20 – CAPITALIZED LEASE – LESSEE DISCLOSURE

In fiscal year 2015, the District entered into capital lease obligation for the purchase of two new school busses. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of vehicles have been capitalized in the amount of \$167,150. This amount represents the present value of the future minimum lease payments at the time of acquisition. During fiscal year 2018, depreciation of \$10,447 was taken on these busses, resulting in a book value of \$125,362.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments on the lease in the 2018 fiscal year totaled \$32,508 and \$1,753, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	
2019	\$34,261
Less: Amount Representing Interest	(889)
Present Value of Minimum Lease	\$33,372

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

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.

NOTE 22 – FISCAL EMERGENCY

Fiscal Emergency - In February of 2019, the District was declared to be in a State of "Fiscal Emergency" by the Auditor of State. The District was placed under fiscal watch in June of 2018. Under fiscal watch, the District was required to develop a plan to restore finances and a failure to comply would mean the auditor of State has statutory authority to place the District in a state of fiscal emergency. Per the Auditor of State, the District failed to comply with a State approved financial recovery plan.

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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	0.09774970%	0.09965500%	0.09763260%	0.10071700%	0.10071700%
School District's Proportionate Share of the Net Pension Liability	\$5,840,329	\$7,293,826	\$5,571,011	\$5,097,230	\$5,989,317
School District's Covered Payroll	\$3,568,457	\$2,913,079	\$3,927,273	\$3,026,131	\$3,237,045
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	163.67%	250.38%	141.85%	168.44%	185.02%
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.

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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	0.098526620%	0.100837970%	0.096760360%	0.096692630%	0.096692630%
School District's Proportionate Share of the Net Pension Liability	\$23,405,210	\$33,753,508	\$26,741,733	\$23,518,994	\$28,015,672
School District's Covered Payroll	\$11,136,657	\$10,006,350	\$10,582,471	\$10,298,908	\$10,441,985
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	210.16%	337.32%	252.70%	228.36%	268.30%
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.

Niles City School District
Trumbull County, Ohio

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Pension Contribution	\$423,311	\$499,584	\$407,831	\$517,608	\$419,422	\$424,686	\$462,185	\$419,006	\$429,312	\$296,564
Pension Contributions in Relation to the Contractually Required Contribution	(\$423,311)	(\$499,584)	(\$407,831)	(\$517,608)	(\$419,422)	(\$424,686)	(\$462,185)	(\$419,006)	(\$429,312)	(\$296,564)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District Covered Payroll	\$3,023,650	\$3,568,457	\$2,913,079	\$3,927,223	\$3,026,131	\$3,068,545	\$3,436,322	\$3,333,381	\$3,170,694	\$3,013,862
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

Niles City School District
Trumbull County, Ohio

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Pension Contribution	\$1,578,839	\$1,559,132	\$1,400,889	\$1,481,546	\$1,338,858	\$1,357,458	\$1,443,742	\$1,460,923	\$1,471,747	\$1,441,097
Pension Contributions in Relation to the Contractually Required Contribution	(\$1,578,839)	(\$1,559,132)	(\$1,400,889)	(\$1,481,546)	(\$1,338,858)	(\$1,357,458)	(\$1,443,742)	(\$1,460,923)	(\$1,471,747)	(\$1,441,097)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District Covered Payroll	\$11,277,421	\$11,136,657	\$10,006,350	\$10,582,471	\$10,298,908	\$10,441,984	\$11,105,705	\$11,237,869	\$11,321,131	\$11,085,362
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Niles City School District

Trumbull 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	0.09774970%	0.09965500%
School District's Proportionate Share of the Net OPEB Liability	\$2,663,051	\$2,828,399
School District Covered Payroll	\$3,568,457	\$2,913,079
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	74.63%	97.09%
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

Niles City School District

Trumbull 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	0.09852662%	0.100837970%
School District's Proportionate Share of the Net OPEB Liability	\$3,844,145	\$5,269,229
School District Covered Payroll	\$11,136,657	\$10,006,350
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.52%	52.66%
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

Niles City School District

Trumbull 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	\$51,374	\$54,248	\$51,261	\$79,657
OPEB Contributions in Relation to the Contractually Required Contribution	(\$51,374)	(\$54,248)	(\$51,261)	(\$79,657)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,023,650	\$3,568,457	\$2,913,079	\$3,927,223
Contributions as a Percentage of Covered Payroll	1.70%	1.52%	1.76%	2.03%

2014	2013	2012	2011	2010	2009
\$78,258	\$73,645	\$93,928	\$125,545	\$87,865	\$205,156
(\$78,258)	(\$73,645)	(\$93,928)	(\$125,545)	(\$87,865)	(\$205,156)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,026,131	\$3,068,545	\$3,436,322	\$3,333,381	\$3,170,694	\$3,013,862
2.59%	2.40%	2.73%	3.77%	2.77%	6.81%

Niles City School District

Trumbull 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	\$11,277,421	\$11,136,657	\$10,006,350	\$10,582,471
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>
\$102,989	\$104,420	\$111,057	\$112,379	\$113,211	\$110,854
(\$102,989)	(\$104,420)	(\$111,057)	(\$112,379)	(\$113,211)	(\$110,854)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,298,908	\$10,441,984	\$11,105,705	\$11,237,869	\$11,321,131	\$11,085,362
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Niles 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.

Niles 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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**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non Cash Assistance (Food Distribtuion)			
National School Lunch Program	10.555	2018	68,597
Cash Assistance:			
National School Breakfast Program	10.553	2018	191,898
National School Lunch Program	10.555	2018	<u>624,000</u>
<i>Total Child Nutrition Cluster</i>			884,495
National School Lunch Equipment	10.759	2018	<u>7,500</u>
Total U.S. Department of Agriculture			<u>891,995</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education;</i>			
Title I, Part A Cluster			
Title I Grants to Local Education Agencies	84.010	2018	<u>1,193,987</u>
<i>Total Title I Part A Cluster</i>			<u>1,193,987</u>
Special Education Cluster (IDEA)			
Special Education Grants to States(IDEA, Part B)	84.027	2018	676,760
Special Education Grants to States(IDEA, Preschool)	84.173	2018	<u>42,698</u>
<i>Total Special Education Cluster (IDEA)</i>			<u>719,458</u>
Improving Teacher Quality State Grants, Title II, Part A	84.367	2018	<u>129,722</u>
Total U.S. Department of Education			<u>2,043,167</u>
Total Expenditures of Federal Awards			<u><u>\$2,935,162</u></u>

The accompanying notes are an integral part of this schedule.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Niles City School District (the District's) under programs of the federal government for the year ended June 30, 2018. 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

OHIO AUDITOR OF STATE KEITH FABER



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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

Niles City School District
Trumbull County
309 North Rhodes Avenue
Niles, Ohio 44446

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, each major fund, and the aggregate remaining fund information of the Niles City School District, Trumbull County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 10, 2019, wherein we noted the District adopted Governmental Accounting Standards Board Statement 75 and the District is experiencing certain financial difficulties.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. We consider findings 2018-004 and 2018-005 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2018-001, 2018-002, 2018-006 and 2018-007 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the 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 are described in the accompanying schedule of findings as items 2018-001 through 2018-003.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 10, 2019

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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

Niles City School District
Trumbull County
309 North Rhodes Avenue
Niles, Ohio 44446

To the Board of Education:

Report on Compliance for Major Federal Program

We have audited the Niles City School District (the District) 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 Niles City School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The 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 District's compliance for the District's major federal programs 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 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 District's major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the Niles 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 year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2018-008. Our opinion on *the* major federal program is not modified with respect to this matter.

The District's responses to our noncompliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

The 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 '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 the 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 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2018-008.

The District's responses to our noncompliance finding is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Niles City School District
Trumbull County
Independent Auditor's Report on Compliance with Requirements
Applicable to Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 10, 2019

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**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I (CFDA 84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2018-001

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Negative Fund Balances

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. Therefore, a negative fund cash balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

However, **Ohio Rev. Code § 3315.20** provides an allowable exception for school districts. A school district may have a deficit in any special fund of the school district, but only if all of the following conditions are satisfied:

- The school district has a request for payment pending with the state sufficient to cover the amount of the deficit.
- There is a reasonable likelihood that the payment will be made.
- The unspent and unencumbered balance in the school district’s general fund is greater than the aggregate of deficit amounts in all of the school district’s special funds.

We reviewed District ledgers for negative fund balances for the months of November, February, April and June for the general fund, Title VI-B, Title I, and Title II-A. The following amounts were negative with the requested payments included.

Fund	November	February	April	June
General				\$(183,172)
Title VI-B	\$(45,055)	\$(149,475)	\$(90,744)	(134,250)
Title I				(93,193)
Title II-A				(9,468)

The District did not have pending payment requests with the State for the aforementioned negative fund balances and/or the General Fund was not enough to cover other funds’ deficits.

We also noted the Food Service Fund had a negative fund balance at June 30, 2018 of \$66,537.

A procedure(s) and control(s), such as the Management and/or Board’s periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Entity should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

FINDING NUMBER 2018-002

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Transfers

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Section 5705.15.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

During fiscal year 2018, the District transferred \$100,000 from an agency fund (Workers Compensation) to the General Fund and \$100,000 from the internal service fund (School Benefits) to the General Fund. The transfers do not meet the criteria for proper transfers set forth in Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16. These transfers were not listed on the transfer schedules nor included on the draft financial statements provided for audit. The District has corrected the basic financial statements and accounting system moving back monies to the respective funds.

Also, the District transferred \$239,926 from the general fund to the food service fund without authorized board approval.

The District should only transfer funds in accordance with the provisions afforded to them pursuant the Ohio Revised Code.

FINDING NUMBER 2018-003

NONCOMPLIANCE

Filing of Annual Financial Report

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis.

The District was required to file their fiscal year 2018 financial statements by November 27, 2018. However, they were not filed until March 1, 2019.

The District did not have adequate controls in place to file the report timely.

The District should organize its financial record-keeping, develop a tickler file as a reminder of filing dates, and take all other steps necessary to file its financial statements within the prescribed time period.

FINDING NUMBER 2018-004

MATERIAL WEAKNESS

Cash Reconciliation

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

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

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board is responsible for reviewing the reconciliations and related support.

The Treasurer did not provide accurate fund balances to the Board on a monthly basis. The bank reconciliations provided to the Board were not complete or accurate and the Treasurer was unable to identify the unreconciled unknown balances. As a result, the Auditor of State's Local Government Services Division assisted the District in reconciling its fiscal year 2018 activity. Failure to reconcile monthly increases the possibility that the District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The District was placed in fiscal emergency on February 26, 2019. As a result, the District's financial forecast was examined by Local Government Services. This examination determined additional posting errors were made by the District during fiscal year 2018. Upon conclusion of the reconciliations and financial forecast examination being performed, the District's books were overstated at year end by \$767,045 for receipts and disbursements occurring in 2018. The number of reconciling adjustments, for transactions that were not posted to the District's accounting system or were posted in error, totaled 135. The following fund balance adjustments were necessary:

Fund	Amount
General Fund	(598,767)
Lunch Fund	(66,630)
Uniform Supplies Fund	(360)
Public School Support Fund	72,263
District Agency Fund	(165)
Employee Benefit Fund	(47,670)
School Facilities Maintenance Fund	(1,126)
Student Activities Fund	599
District Managed Student Activities Fund	685
Schoolnet Professional Development Fund	2
Title VI-B	(811)
Title I	2,326
Early Literacy	42
Title II-A	127
Miscellaneous Federal Grant	(18,135)
Debt Service	(109,425)
Total	(767,045)

These adjustments were posted to the District's accounting system and to the accompanying financial statements.

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

FINDING NUMBER 2018-005

MATERIAL WEAKNESS

Reporting of Cash

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

When testing GAAP Cash fund balances on the financial statements, the total amount tied. However, the allocations to each fund were not correct. The General Fund Equity in Pooled Cash and Cash Equivalents was understated by \$154,111. RFI Equity in Pooled Cash and Cash Equivalents in total was understated by \$109,556. Bond Retirement fund Equity in Pooled Cash and Cash Equivalents was overstated by \$109,425.

The financial statements have been adjusted.

The District should review the basic financial statements and GAAP compilation to help ensure all amounts are properly accrued and recorded.

FINDING NUMBER 2018-006

SIGNIFICANT DEFICIENCY

Budgetary Information in the Accounting System

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the District and the appropriation ledger provides the process by which the District controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the District and the receipts ledger provides the process by which the District controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The District did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The final appropriations approved by Board were not properly posted to the accounting system. The accounting system had final appropriations of \$41,772,224, while the final approved appropriations were only \$38,218,933, or a difference of \$3,553,291.

Additionally, the approved Certificate of Estimated Resources was not posted to the accounting system. The amount posted to the accounting system was \$0, when it should have been \$39,894,999.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

The estimated receipts and appropriations should be updated in the accounting system to reflect the most current financial information.

FINDING NUMBER 2018-007

SIGNIFICANT DEFICIENCY

Financial Reporting - Financial Statements and Informative Note Disclosure

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

The District posted \$110,000 of property tax receipts in the debt service fund that should have been posted to the general fund in fiscal year 2018.

The District did not properly classify expenses paid to the District's Third Party Administrator of approximately \$904,399 for their self-insured health care plan as purchased services. Rather it was incorrectly included with claims expense on the Statement of Revenues, Expenses and Changes in Net Position for the Proprietary Fund Type.

Additionally, documentation was not provided for audit to indicate the District updated its informative note disclosure regarding Risk Management. The policies and policy limits referenced in Note 12 to the Basic Financial Statements were exactly the same as those reflected in the 2017 audit report. The District did not have adequate controls in place to prevent or detect these errors. The District has adjusted its financial statements and accounting system fund balances for the error.

The District should adopt policies and procedures for controls over recording of daily financial transactions and informative note disclosures to help ensure the completeness and accuracy of the balances and activity in the District's Basic Financial Statements and the related informative note disclosures thereby increasing the reliability of the financial data at year-end.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Schedule of Federal Awards

Finding Number:	2018-008
CFDA Number and Title:	All Programs
Federal Award Identification Number / Year:	All
Federal Agency:	U.S. Department of Agriculture and U.S. Department of Education
Compliance Requirement:	None
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 C.F.R Subpart F § 200.510(b) requires that the auditee prepare a Schedule of Expenditures of Federal Awards (the Schedule) for the period covered by the Entity's financial statements which must include the total federal awards expended as determined in accordance with § 200.502.

At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee has elected to use the 10 percent de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

The District did not compile an accurate Schedule. The Schedule provided by the District had the following misstatements to expenditure amounts:

- expenditures reported for Title I, Special Education Cluster, and Improving Teacher Quality State Grants programs did not agree to the District's financial records,
- School Lunch Program expenditures of \$623,993.56, School Breakfast Program expenditures of \$191,898.14, School Food Equipment of \$7,500 and Donated Commodities Non-Cash transactions were not reported.

Errors and omissions to the Schedule could have an adverse effect on future grant awards by the awarding agency or agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit. Adjustments, to which management have agreed, are reflected in the accompanying Schedule.

District management should review all grant and loan awards and be familiar with federal reporting requirements. The District should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This will help ensure the Schedule is complete and accurate and major federal programs are correctly identified for audit.

Official's Responses: See Corrective Action Plan.

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Ann Marie A. Thigpen
Superintendent

Lori A. Hudzik
Treasurer



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Negative Fund Balances	Repeated as Finding 2018-001	District placed in fiscal emergency February 26, 2019

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Ann Marie A. Thigpen
 Superintendent

Lori A. Hudzik
 Treasurer



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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	District will put payment requests into State more timely	June 30, 2020	Treasurer's office
2018-002	All transfers will be presented to the Board	October 1, 2019	Treasurer's office
2018-003	Annual report will be filed timely	November 30, 2019	Treasurer's office
2018-004	Cash Reconciliation will be accurate	current	Treasurer's office
2018-005	Cash rec will be accurate	November 30, 2019	Treasurer's office
2018-006	Budgetary Information will be entered in the Accounting System properly	current	Treasurer's office
2018-007	Self-insurance expenses will be reported properly	November 30, 2019	Treasurer's office
2018-008	Schedule of Federal Awards will be done accurately	November 30, 2019	Treasurer's office

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OHIO AUDITOR OF STATE KEITH FABER



NILES CITY SCHOOL DISTRICT

TRUMBULL 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
OCTOBER 10, 2019**