

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

BRIAN RELLA, TREASURER



Dave Yost • Auditor of State

Board of Education
Struthers City School District
99 Euclid Avenue
Struthers, Ohio 44471

We have reviewed the *Independent Auditor's Report* of the Struthers City School District, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 8, 2018

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Struthers City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Struthers City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Struthers City School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this 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 December 22, 2017, on our consideration of the Struthers City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Struthers City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 22, 2017

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

This discussion and analysis of Struthers City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position decreased by \$2,237,401 to a negative \$1,260,989, a decrease from the fiscal year 2016 balance of \$976,412.
- Revenues for governmental activities totaled \$22,922,709 in fiscal year 2017. Of this total, 80 percent consisted of general revenues while program revenues accounted for the balance of 20 percent.
- Program expenses totaled \$25,160,110. Instructional expenses made up 64 percent of this total while support services accounted for 29 percent. Other expenses rounded out the remaining 7 percent.
- The School District's only major governmental fund is the general fund. The general fund had \$19,781,617 in revenues and \$20,629,798 in expenditures, excluding other financing sources and uses. During fiscal year 2017, the general fund balance decreased \$848,181, or 11 percent.
- The School District's net pension liability increased to \$31,792,433. For more information on this liability see Note 13 to the basic financial statements.

Using this Annual Financial Report

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

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

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The School District as a Whole

The statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

Net Position (Table 1)			
Governmental Activities			
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Current and Other Assets	\$18,362,973	\$18,988,877	(\$625,904)
Capital Assets, Net	<u>16,392,283</u>	<u>17,131,481</u>	<u>(739,198)</u>
<i>Total Assets</i>	<u>34,755,256</u>	<u>36,120,358</u>	<u>(1,365,102)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	32,655	38,683	(6,028)
Pension	<u>5,970,931</u>	<u>2,546,521</u>	<u>3,424,410</u>
<i>Total Deferred Outflows of Resources</i>	<u>6,003,586</u>	<u>2,585,204</u>	<u>3,418,382</u>
Liabilities			
Current Liabilities	2,740,709	2,444,404	296,305
Long-Term Liabilities			
Due within One Year	296,880	337,754	(40,874)
Due in More than One Year:			
Net Pension Liability	31,792,433	25,334,861	6,457,572
Other Amounts	<u>2,710,561</u>	<u>2,961,382</u>	<u>(250,821)</u>
<i>Total Liabilities</i>	<u>37,540,583</u>	<u>31,078,401</u>	<u>6,462,182</u>
Deferred Inflows of Resources			
Property Taxes	4,459,248	4,659,310	(200,062)
Pension	<u>0</u>	<u>1,991,439</u>	<u>(1,991,439)</u>
<i>Total Deferred Inflows of Resources</i>	<u>4,459,248</u>	<u>6,650,749</u>	<u>(2,191,501)</u>
Net Position			
Net Investment in Capital Assets	14,628,122	15,296,938	(668,816)
Restricted	3,546,505	2,911,440	635,065
Unrestricted (Deficit)	<u>(19,435,616)</u>	<u>(17,231,966)</u>	<u>(2,203,650)</u>
<i>Total Net Position</i>	<u>(\$1,260,989)</u>	<u>\$976,412</u>	<u>(\$2,237,401)</u>

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

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

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

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

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

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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

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

Total assets decreased by \$1,365,102. The majority of this decrease can be attributed to a decrease in capital assets.

Total liabilities increased by \$6,462,182 due mostly to an increase in the net pension liability.

Deferred inflows of resources decreased \$2,191,501 due to a decrease in inflows related to pension. By comparing assets, deferred outflows of resources, liabilities and deferred inflows of resources, one can see the overall position of the School District has decreased \$2,237,401.

Table 2 shows the changes in net position for fiscal year 2017 as compared to fiscal year 2016.

Table 2
Change in Net Position

	2017	2016	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$2,249,265	\$2,101,319	\$147,946
Operating Grants and Contributions	2,318,825	2,198,812	120,013
<i>Total Program Revenues</i>	<u>4,568,090</u>	<u>4,300,131</u>	<u>267,959</u>
General Revenues			
Property Taxes	4,739,789	4,651,468	88,321
Intergovernmental	13,533,229	13,337,922	195,307
Investment Earnings	11,608	33,981	(22,373)
Miscellaneous	69,993	141,561	(71,568)
<i>Total General Revenues</i>	<u>18,354,619</u>	<u>18,164,932</u>	<u>189,687</u>
<i>Total Revenues</i>	<u>22,922,709</u>	<u>22,465,063</u>	<u>457,646</u>

Struthers City School District
Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

Table 2 (continued)
Change in Net Position

	2017	2016	Change
Program Expenses			
Current:			
Instruction	\$16,107,965	\$13,278,240	\$2,829,725
Support Services:			
Pupils	1,152,553	948,456	204,097
Instructional Staff	662,464	524,323	138,141
Board of Education	110,430	126,724	(16,294)
Administration	1,972,461	1,809,650	162,811
Fiscal	442,463	412,042	30,421
Business	53,266	36,787	16,479
Operation and Maintenance of Plant	2,237,688	2,113,633	124,055
Pupil Transportation	678,405	517,668	160,737
Central	16,086	17,347	(1,261)
Operation of Non-Instructional Services	136,432	132,651	3,781
Operation of Food Services	849,298	958,008	(108,710)
Extracurricular Activities	662,992	781,466	(118,474)
Interest and Fiscal Charges	77,607	106,915	(29,308)
Total Program Expenses	25,160,110	21,763,910	3,396,200
Change in Net Position	(2,237,401)	701,153	(2,938,554)
Net Position Beginning of Year	976,412	275,259	701,153
Net Position End of Year	(\$1,260,989)	\$976,412	(\$2,237,401)

Governmental Activities

Net position of the School District's governmental activities decreased \$2,237,401. Total governmental expenses of \$25,160,110 were partially offset by program revenues of \$4,568,090 and general revenues of \$18,354,619. Program revenues supported 18 percent of total governmental expenses.

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

The largest expense of the School District is for instructional programs. Instructional expenses totaled \$16,107,965 or 64 percent of total governmental expenses for fiscal year 2017.

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

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$11,455,469	\$9,600,468	\$8,891,221	\$7,105,380
Special	3,315,383	2,493,358	3,119,386	2,171,587
Vocational	319,962	258,691	300,767	226,984
Other	1,017,151	1,017,151	966,866	966,866
Support Services:				
Pupils	1,152,553	998,978	948,456	948,456
Instructional Staff	662,464	551,833	524,323	481,673
Board of Education	110,430	110,230	126,724	126,174
Administration	1,972,461	1,849,086	1,809,650	1,640,817
Fiscal	442,463	435,363	412,042	407,462
Business	53,266	53,266	36,787	36,787
Operation and Maintenance of Plant	2,237,688	2,237,688	2,113,633	2,113,633
Pupil Transportation	678,405	668,867	517,668	504,795
Central	16,086	16,086	17,347	17,347
Operation of Non-Instructional Services	136,432	(3,959)	132,651	(13,441)
Food Service Operation	849,298	(42,379)	958,008	108,130
Extracurricular Activities	662,992	269,686	781,466	474,214
Interest and Fiscal Charges	77,607	77,607	106,915	103,915
<i>Total Expenditures</i>	<u>\$25,160,110</u>	<u>\$20,592,020</u>	<u>\$21,763,910</u>	<u>\$17,420,779</u>

The dependence upon property taxes and other general revenues for governmental activities is apparent. For all governmental activities expenses, general revenue support is 73 percent. The School District's taxpayers, as a whole, are by far the primary support for the School District's students.

The School District's Funds

Information regarding the School District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$23,455,858 to offset expenditures of \$23,657,999. The net change in fund balance for the year was most significant in the general fund, which decreased \$848,181. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 70 percent and 20 percent respectively, of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Struthers City School District.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget as needed. For the general fund, original budgeted revenues and other financing sources were \$19,393,993 and final budgeted revenues were \$19,898,493. Actual revenues and other financing sources for fiscal year 2017 were \$20,012,288. This represents an increase of \$113,795 from final budgeted revenues.

General fund original appropriations of \$17,092,245 were amended to \$20,893,534 in the final appropriation. The actual budget basis expenditures for fiscal year 2017 totaled \$20,850,402, which were \$43,132 less than final budgeted appropriations and \$3,758,157 more than original budgeted appropriations. These variances are due to a conservative approach to budgeting taken by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$16,372,283 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks.

Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

	<u>2017</u>	<u>2016</u>
Land	\$422,600	\$422,600
Land Improvements	779,811	765,582
Buildings and Improvements	14,475,217	15,505,910
Furniture and Equipment	348,190	260,868
Vehicles	<u>346,465</u>	<u>176,521</u>
<i>Total</i>	<u>\$16,372,283</u>	<u>\$17,131,481</u>

All capital assets, except land, are reported net of depreciation. The overall decrease in capital assets of \$759,198 is due to current year depreciation of \$1,249,248 exceeding capital outlays of \$490,050 during the fiscal year. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Struthers City School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Long-Term Obligations

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

Table 5
Outstanding Long-Term Obligations at Year End

	2017	2016
General Obligation Bonds	\$1,776,816	\$2,027,564
Compensated Absences	1,230,625	1,271,572
Net Pension Obligation	31,792,433	25,334,861
<i>Total</i>	\$34,799,874	\$28,633,997

At June 30, 2017, the School District had \$1,776,816 in general obligation bonds, \$1,230,625 in compensated absences outstanding. Of this total, \$296,880 is due within one year and the rest is due in more than one year. In addition, the School District's net pension liability at the end of the fiscal year was \$31,792,433. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

Current Financial Issues

Struthers City School District has a moderate financial outlook due to its dependence upon grants and State entitlements coupled with an over reliance on taxes for the School District coming from local residents as well as business and industry amounting to 23 percent. One can see the significant impact of any external market changes would have on the School District, and ultimately, the residential taxpayers.

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

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

<u>Fiscal Year</u>	<u>Expense Per Pupil</u>	<u>Amount of Change</u>	<u>Percentage of Change</u>
2017	\$9,149	+\$309	+3.5%
2016	\$8,840	(\$131)	(1.5%)
2015	\$8,971	(\$119)	(1%)
2014	\$9,090	+\$584	+7%
2013	\$8,506	(\$358)	(4%)
2012	\$8,864	(\$56)	(1%)
2011	\$8,920	+\$756	+9%
2010	\$8,164	+\$666	+9%
2009	\$7,498	+\$273	+4%
2008	\$7,225	Base	Base

Struthers City School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited*

Contacting the School District's Financial Management

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

Struthers City School District

Mahoning County, Ohio

*Statement of Net Position
June 30, 2017*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$12,947,042
Accrued Interest Receivable	2,783
Accounts Receivable	925
Intergovernmental Receivable	150,780
Property Taxes Receivable	5,252,704
Inventory Held for Resale	6,770
Materials and Supplies Inventory	1,969
Nondepreciable Capital Assets	422,600
Depreciable Capital Assets, Net	15,949,683
<i>Total Assets</i>	<u>34,735,256</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	32,655
Pension:	
STRS	4,814,636
SERS	1,156,295
<i>Total Deferred Outflows of Resources</i>	<u>6,003,586</u>
Liabilities	
Accounts Payable	92,554
Accrued Wages and Benefits Payable	1,992,226
Intergovernmental Payable	490,736
Matured Compensated Absences Payable	152,814
Accrued Interest Payable	5,194
Claims Payable	7,185
Long-Term Liabilities:	
Due Within One Year	296,880
Due In More Than One Year:	
Net Pension Liability (See Note 13)	31,792,433
Other Amounts Due in More than One Year	2,710,561
<i>Total Liabilities</i>	<u>37,540,583</u>
Deferred Inflows of Resources	
Property Taxes	4,459,248
<i>Total Deferred Inflows of Resources</i>	<u>4,459,248</u>
Net Position	
Net Investment in Capital Assets	14,628,122
Restricted for:	
Capital Projects	15,531
Debt Service	769,769
Other Purposes	1,988,844
Set-asides	772,361
Unrestricted	(19,435,616)
<i>Total Net Position</i>	<u><u>(\$1,260,989)</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues		Net (Expense)	
	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
Expenses			Governmental Activities	
Governmental Activities				
Current:				
Instruction:				
Regular	\$11,455,469	\$1,673,881	\$181,120	(\$9,600,468)
Special	3,315,383	0	822,025	(2,493,358)
Vocational	319,962	27,993	33,278	(258,691)
Other	1,017,151	0	0	(1,017,151)
Support Services:				
Pupils	1,152,553	0	153,575	(998,978)
Instructional Staff	662,464	0	110,631	(551,833)
Board of Education	110,430	200	0	(110,230)
Administration	1,972,461	0	123,375	(1,849,086)
Fiscal	442,463	0	7,100	(435,363)
Business	53,266	0	0	(53,266)
Operation and Maintenance of Plant	2,237,688	0	0	(2,237,688)
Pupil Transportation	678,405	9,538	0	(668,867)
Central	16,086	0	0	(16,086)
Operation of Non-Instructional Services	136,432	0	140,391	3,959
Operation of Food Services	849,298	153,525	738,152	42,379
Extracurricular Activities	662,992	384,128	9,178	(269,686)
Interest and Fiscal Charges	77,607	0	0	(77,607)
Total Governmental Activities	\$25,160,110	\$2,249,265	\$2,318,825	(20,592,020)
General Revenues				
Property Taxes Levied for:				
General Purposes				4,457,115
Debt Service				282,527
Other Purposes				147
Grants and Entitlements not				
Restricted to Specific Programs				13,533,229
Investment Earnings				11,608
Miscellaneous				69,993
Total General Revenues				18,354,619
				Change in Net Position
				(2,237,401)
				Net Position Beginning of Year
				976,412
				Net Position End of Year
				(\$1,260,989)

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$8,456,244	\$2,894,453	\$11,350,697
Accrued Interest Receivable	2,783	0	2,783
Accounts Receivable	925	0	925
Interfund Receivable	181,143	0	181,143
Intergovernmental Receivable	0	150,780	150,780
Property Taxes Receivable	5,234,239	18,465	5,252,704
Inventory Held for Resale	0	6,770	6,770
Materials and Supplies Inventory	0	1,969	1,969
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	772,361	0	772,361
Total Assets	\$14,647,695	\$3,072,437	\$17,720,132
Liabilities			
Accounts Payable	\$91,624	\$930	\$92,554
Accrued Wages and Benefits Payable	1,771,017	221,209	1,992,226
Intergovernmental Payable	441,405	49,331	490,736
Matured Compensated Absences Payable	146,831	5,983	152,814
Interfund Payable	0	181,143	181,143
Total Liabilities	2,450,877	458,596	2,909,473
Deferred Inflows of Resources			
Property Taxes	4,449,683	9,565	4,459,248
Unavailable Revenue - Property Taxes	738,718	8,738	747,456
Total Deferred Inflows of Resources	5,188,401	18,303	5,206,704
Fund Balances			
Nonspendable	0	1,969	1,969
Restricted	772,361	2,794,909	3,567,270
Committed	0	14,664	14,664
Assigned	752,382	0	752,382
Unassigned (Deficit)	5,483,674	(216,004)	5,267,670
Total Fund Balances	7,008,417	2,595,538	9,603,955
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$14,647,695	\$3,072,437	\$17,720,132

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2017*

Total Governmental Fund Balances	\$9,603,955
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,372,283
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Property Taxes	747,456
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
STRS	(26,654,411)
SERS	(5,138,022)
Total	(31,792,433)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions:	
STRS	4,814,636
SERS	1,156,295
Total	5,970,931
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.	816,799
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(5,194)
Deferred outflows of resources represent deferred charges on refunding which do not provide current financial resources and therefore are not reported in the funds.	32,655
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(1,715,000)
Unamortized Premium	(61,816)
Compensated Absences	(1,230,625)
Total	(3,007,441)
 <i>Net Position of Governmental Activities</i>	 <u><u>(\$1,260,989)</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**For the Fiscal Year Ended June 30, 2017*

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$4,388,650	\$327,168	\$4,715,818
Tuition and Fees	1,711,322	0	1,711,322
Interest	11,608	0	11,608
Charges for Services	0	153,525	153,525
Extracurricular Activities	181,012	191,744	372,756
Rentals	11,805	0	11,805
Contributions and Donations	4,316	31,733	36,049
Intergovernmental	13,405,804	2,967,072	16,372,876
Miscellaneous	67,100	2,999	70,099
<i>Total Revenues</i>	<u>19,781,617</u>	<u>3,674,241</u>	<u>23,455,858</u>
Expenditures			
Current:			
Instruction:			
Regular	9,750,566	220,938	9,971,504
Special	2,210,165	943,858	3,154,023
Vocational	271,001	33,278	304,279
Other	1,011,071	6,080	1,017,151
Support Services:			
Pupils	1,009,794	65,436	1,075,230
Instructional Staff	481,274	138,077	619,351
Board of Education	103,682	366	104,048
Administration	1,800,984	85,520	1,886,504
Fiscal	413,453	12,236	425,689
Business	46,124	0	46,124
Operation and Maintenance of Plant	2,025,865	99,982	2,125,847
Pupil Transportation	593,586	0	593,586
Central	15,674	0	15,674
Operation of Non-Instructional Services	6,546	114,534	121,080
Operation of Food Services	0	834,029	834,029
Extracurricular Activities	399,963	151,540	551,503
Capital Outlay	490,050	0	490,050
Debt Service:			
Principal Retirement	0	260,000	260,000
Interest and Fiscal Charges	0	62,327	62,327
<i>Total Expenditures</i>	<u>20,629,798</u>	<u>3,028,201</u>	<u>23,657,999</u>
<i>Net Change in Fund Balances</i>	(848,181)	646,040	(202,141)
<i>Fund Balances Beginning of Year</i>	7,856,598	1,949,498	9,806,096
<i>Fund Balances End of Year</i>	<u>\$7,008,417</u>	<u>\$2,595,538</u>	<u>\$9,603,955</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds (\$202,141)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	490,050	
Current Year Depreciation	(1,249,248)	
Total		(759,198)

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

Property Taxes	23,971	
Intergovernmental	(556,871)	
Tuition and Fees	(143)	
Miscellaneous	(106)	
Total		(533,149)

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

239,337

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.

Amortization of Premium	11,411	
Amortization of Deferred Amount of Advance Refunding	(6,028)	
Total		5,383

Governmental funds report district pension contributions as expenditures.

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

Direct pension contributions		
STRS	1,208,188	
SERS	314,380	
Total		1,522,568

Cost of benefits earned net of employee contributions		
STRS	(2,029,756)	
SERS	(534,535)	
Total		(2,564,291)

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

Compensated Absences		40,947
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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.

13,143

Change in Net Position of Governmental Activities (\$2,237,401)

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,766,099	\$4,363,200	\$4,363,253	\$53
Tuition and Fees	1,597,413	1,698,057	1,700,357	2,300
Interest	16,566	17,610	19,150	1,540
Extracurricular Activities	12,229	13,000	34,015	21,015
Rentals	10,071	10,705	11,105	400
Contributions and Donations	27,093	28,800	0	(28,800)
Intergovernmental	12,404,837	13,186,400	13,405,804	219,404
Miscellaneous	138,185	146,891	44,717	(102,174)
<i>Total Revenues</i>	<u>18,972,493</u>	<u>19,464,663</u>	<u>19,578,401</u>	<u>113,738</u>
Expenditures				
Current:				
Instruction:				
Regular	8,296,377	9,676,447	9,588,155	88,292
Special	1,926,638	2,245,033	2,205,767	39,266
Vocational	230,598	268,797	263,036	5,761
Other	24,740	1,039,477	1,022,156	17,321
Support Services:				
Pupils	898,469	1,045,155	1,026,439	18,716
Instructional Staff	425,065	495,751	502,164	(6,413)
Board of Education	124,565	140,072	131,225	8,847
Administration	1,584,512	1,846,395	1,940,411	(94,016)
Fiscal	373,475	430,103	450,866	(20,763)
Business	40,823	47,706	47,362	344
Operation and Maintenance of Plant	2,013,558	2,322,198	2,333,138	(10,940)
Pupil Transportation	783,232	904,201	896,012	8,189
Central	13,627	15,925	20,450	(4,525)
Operation of Non-Instructional Services	8,122	9,074	9,469	(395)
Extracurricular Activities	348,444	407,200	413,752	(6,552)
<i>Total Expenditures</i>	<u>17,092,245</u>	<u>20,893,534</u>	<u>20,850,402</u>	<u>43,132</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,880,248</u>	<u>(1,428,871)</u>	<u>(1,272,001)</u>	<u>156,870</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	10,000	22,330	22,383	53
Advances In	411,500	411,500	411,504	4
<i>Total Other Financing Sources (Uses)</i>	<u>421,500</u>	<u>433,830</u>	<u>433,887</u>	<u>57</u>
<i>Net Change in Fund Balance</i>	2,301,748	(995,041)	(838,114)	156,927
<i>Fund Balance Beginning of Year</i>	8,841,850	8,841,850	8,841,850	0
<i>Prior Year Encumbrances Appropriated</i>	563,026	563,026	563,026	0
<i>Fund Balance End of Year</i>	<u>\$11,706,624</u>	<u>\$8,409,835</u>	<u>\$8,566,762</u>	<u>\$156,927</u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Fund Net Position

Proprietary Funds

June 30, 2017

	<u>Internal Service</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$823,984
Current Liabilities	
Claims Payable	<u>7,185</u>
Net Position	
Unrestricted	<u><u>\$816,799</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017*

	<u>Internal Service</u>
Operating Revenues	
Charges for Services	\$55,734
Intergovernmental	10,376
<i>Total Operating Revenues</i>	<u>66,110</u>
Operating Expenses	
Claims	<u>52,967</u>
<i>Change in Net Position</i>	13,143
<i>Net Position Beginning of Year</i>	<u>803,656</u>
<i>Net Position End of Year</i>	<u><u>\$816,799</u></u>

See accompanying notes to the basic financial statements

Struthers City School District

Mahoning County, Ohio

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Charges and Interfund Services	\$55,734
Cash Received from Intergovernmental Sources	10,376
Cash Payments for Claims	<u>(47,028)</u>
<i>Net Cash Provided by Operating Activities</i>	19,082
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>804,902</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$823,984</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$13,143
Adjustments:	
Change in Claims Payable	<u>5,939</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$19,082</u></u>
See accompanying notes to the basic financial statements	

Struthers City School District

Mahoning County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$71,550</u>
Liabilities	
Undistributed Monies	\$41,685
Due to Students	<u>29,865</u>
<i>Total Liabilities</i>	<u>\$71,550</u>

See accompanying notes to the basic financial statements

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

The Struthers City School District (the "School District") operates under a locally elected five member Board and provides educational services as authorized by State and federal agencies. The Board controls the School District's three instructional support facilities staffed by 77 non-certified and 142 certified full-time teaching personnel and 7 administrative employees who provide services to students and other community members.

The School District is located in Struthers, Ohio, Mahoning County, including an area extending roughly five miles around the City. The enrollment for the School District during the 2017 fiscal year was 1,851. The School District operates three elementary schools (K-4), one middle school (5-8), and one high school (9-12).

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

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

C. Measurement Focus

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

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

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

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

D. Basis of Accounting

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

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

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

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

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

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, tuition and fees and rent revenue. These amounts are deferred and recognized as an inflow of

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

E. Budgetary Data

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

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2017, investments were limited to Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds and STAR Ohio.

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

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business days(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$11,608, \$971 of which was assigned from other School District funds.

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

G. Inventory

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

J. Compensated Absences

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

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

K. Interfund Balances

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

L. Internal Activity

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

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

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Notes to the Basic Financial Statements
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M. Accrued Liabilities and Long-term Obligations

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

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

N. Fund Balance

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

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

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

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

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

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

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

O. Net Position

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

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

P. Bond Premium

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

Q. Deferred Charge (Loss) on Refunding

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

R. Pensions

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

S. Operating Revenues and Expenses

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

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T. Estimates

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

U. Fair Market Value

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

Note 3 – Change in Accounting Principles

For fiscal year 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68”, Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 78, “Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 74 aims to improve the usefulness of information about other postemployment benefits (OPEB) other than pensions, included in general purpose external financial reports of state and local government benefit plans, for making decisions and assessing accountability. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement and presentation of information about OPEB and is closely related to Statement No. 74, but will not be implemented until next fiscal year for the District. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the District.

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. These changes were incorporated in the District's fiscal year 2017 financial statements (see Note 21).

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

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GASB Statement No. 80 aims to improve financial reporting by clarifying the financial statement presentation requirements for component units that are organized as non-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

Note 4 – Accountability

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Preschool Grant Fund	\$27,287
IDEA Part B Fund	38,765
Title I Fund	72,807
Improving Teacher Quality Fund	52,267
Miscellaneous Federal Grants Fund	24,878

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

Note 5 - Budgetary Basis of Accounting

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

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

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For the Fiscal Year Ended June 30, 2017

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

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

Net Change in Fund Balance	
GAAP Basis	(\$848,181)
Net Adjustment for Revenue Accruals	(180,833)
Advances In	411,504
Net Adjustment for Expenditure Accruals	420,752
Net Adjustment for Funds Budgeted as Special Revenue	25,181
Adjustment for Encumbrances	<u>(666,537)</u>
Budget Basis	<u><u>(\$838,114)</u></u>

Note 6 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;

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Notes to the Basic Financial Statements
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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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

B. Deposits with Financial Institutions

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At June 30, 2017, the carrying amount of all School District deposits was \$11,027,200. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2017, \$9,503,149 of the School District's bank balance of \$11,425,222 was exposed to custodial risk as discussed below, while \$1,922,073 was covered by Federal Deposit Insurance Corporation.

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

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

C. Investments

As of June 30, 2017, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Amortized Cost: STAR Ohio	\$1,035,579	6 Months or Less
Federal National Mortgage Association Bonds	497,735	13 to 18 Months
Federal Home Loan Bank Bonds	457,618	Greater than 24 Months
Total Portfolio	<u>\$1,990,932</u>	

The weighted average maturity of investments is 1.28 years.

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

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

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

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

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The School District's investment in STAR Ohio and Federal Bonds represent 52 percent and 48 percent, respectively, of the School District's total investments.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Position</u>	
Carrying amount of deposits	\$11,027,200	Governmental Activities	\$12,947,042
Investments	1,990,932	Agency Funds	71,550
Cash on hand	460		
Total	<u>\$13,018,592</u>		<u>\$13,018,592</u>

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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

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The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$131,526,820	94.67 %	\$130,521,340	93.41 %
Public Utility Personal	<u>7,411,980</u>	<u>5.33</u>	<u>9,201,610</u>	<u>6.59</u>
Total	<u><u>\$138,938,800</u></u>	<u><u>100.00 %</u></u>	<u><u>\$139,722,950</u></u>	<u><u>100.00 %</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$63.50		 \$63.50	

Note 8 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (rent, student fees and tuition), intergovernmental and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<i>Non-major Governmental Funds:</i>	
Miscellaneous State Grants	\$3,639
IDEA Part B Grant	56,826
Title I Grant	83,943
Improving Teacher Quality Grant	<u>6,372</u>
Total Intergovernmental Receivable	<u><u>\$150,780</u></u>

Struthers City School District
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Note 9 – Fund Balances

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

Fund Balances	General	Nonmajor Governmental	Total
<i>Nonspendable</i>			
Inventory	\$0	\$1,969	\$1,969
<i>Restricted for</i>			
Food Service Operations	0	806,337	806,337
Community Activities	0	16,711	16,711
Technology Improvements	0	75,882	75,882
Classroom Maintenance	0	111,488	111,488
Athletics & Music	0	122,227	122,227
Data Communication	0	9,900	9,900
Teacher Development	0	5,012	5,012
Student Achievement	0	138,257	138,257
Summer Intervention Programs	0	72,825	72,825
Teacher Development	0	618,311	618,311
Race to the Top Grant	0	1,875	1,875
Debt Service Payments	0	774,963	774,963
Capital Improvements	736,070	867	736,937
Other Purposes	0	40,254	40,254
Bus Purchases	36,291	0	36,291
<i>Total Restricted</i>	772,361	2,794,909	3,567,270
<i>Committed to</i>			
Capital Improvements	0	14,664	14,664
<i>Assigned to</i>			
Other Purposes	182,627	0	182,627
Encumbrances	569,755	0	569,755
<i>Total Assigned</i>	752,382	0	752,382
<i>Unassigned (Deficit)</i>	5,483,674	(216,004)	5,267,670
<i>Total Fund Balances</i>	\$7,008,417	\$2,595,538	\$9,603,955

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Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Governmental Activities:				
Capital assets not being depreciated				
Land	\$422,600	\$0	\$0	\$422,600
Capital assets being depreciated				
Land improvements	1,682,220	91,299	0	1,773,519
Buildings and improvements	31,839,441	8,981	0	31,848,422
Furniture, fixtures and equipment	1,308,764	141,327	0	1,450,091
Vehicles	1,138,379	248,443	0	1,386,822
Textbooks and Library Books	496,934	0	0	496,934
Total capital assets being depreciated	36,465,738	490,050	0	36,955,788
Accumulated depreciation				
Land improvements	(916,638)	(77,070)	0	(993,708)
Buildings and improvements	(16,333,531)	(1,039,674)	0	(17,373,205)
Furniture, fixtures and equipment	(1,047,896)	(54,005)	0	(1,101,901)
Vehicles	(961,858)	(78,499)	0	(1,040,357)
Textbooks and Library Books	(496,934)	0	0	(496,934)
Total accumulated depreciation	(19,756,857)	(1,249,248) *	0	(21,006,105)
Capital assets being depreciated, net	16,708,881	(759,198)	0	15,949,683
Governmental activities capital assets, net	\$17,131,481	(\$759,198)	\$0	\$16,372,283

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,003,753
Special	4,477
Support Services:	
Instruction Staff	15,774
Board of Education	5,302
Operation and Maintenance of Plant	66,123
Pupil Transportation	69,273
Operation of Non-Instructional Services	250
Operation of Food Services	14,963
Extracurricular	69,333
Total Depreciation Expense	\$1,249,248

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Note 11 – Interfund Activity

A. Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During fiscal year 2017 no interfund transfers were made.

B. Interfund Balances

The interfund receivable/payable consisted of the following at June 30, 2017, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$181,143	\$0
Non-major Governmental Fund:		
ECE/Preschool	0	27,287
Race to the Top Grant	0	1,245
IDEA Part B	0	35,168
Title I	0	60,905
Improving Teacher Quality Fund	0	31,660
Miscellaneous Federal Grants Fund	0	24,878
Total	\$181,143	\$181,143

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

Note 12 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Ohio Casualty/Liberty Mutual for property insurance with a \$2,500 deductible. Professional liability is also protected by Ohio Casualty/Liberty Mutual with a \$3,000,000 aggregate limit.

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

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

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

B. Workers' Compensation

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

C. Employee Health Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical, prescription drug, dental and vision benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of twelve Mahoning County school districts. Rates are set through an annual calculation process. The Struthers City School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays premiums of \$1,918 for family coverage, \$1,438 for employee plus spouse, \$1,164 for employee plus children and \$685 for single coverage per employee per month.

The claims liability of \$7,185 reported in the internal service funds at June 30, 2017, includes claim costs relating to reported claims paid in the available period which were payable at June 30th.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$1,010	\$76,241	\$76,005	\$1,246
2017	1,246	52,967	47,028	7,185

Note 13 – Defined Benefit Pension Plans

A. Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

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

B. School Employees Retirement System

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire 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

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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 the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution was allocated to the Health Care Fund. The District's contractually required contribution to SERS was \$314,380 for the fiscal year ended June 30, 2017. Of this amount \$182,904 was reported as an intergovernmental payable.

C. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased August 1, 2015 and will continue to increase periodically until reaching age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age

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50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017 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 \$1,208,188 for the fiscal year ended June 30, 2017. Of this amount \$229,760 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.07019550%	0.07717690%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.07020040%</u>	<u>0.07962955%</u>	
Change in Proportionate Share	<u>0.00000490%</u>	<u>0.00245265%</u>	
Proportionate Share of the Net Pension Liability	\$5,138,022	\$26,654,411	\$31,792,433
Pension Expense	\$534,535	\$2,029,756	\$2,564,291

At June 30, 2017, 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	\$69,298	\$1,076,968	\$1,146,266
Net difference between projected and actual earnings on pension plan investments	423,810	2,213,033	2,636,843
Change of Assumptions	342,991	0	342,991
Change in Proportionate Share	5,816	316,447	322,263
District contributions subsequent to the measurement date	<u>314,380</u>	<u>1,208,188</u>	<u>1,522,568</u>
Total Deferred Outflows of Resources	<u>\$1,156,295</u>	<u>\$4,814,636</u>	<u>\$5,970,931</u>
Deferred Inflows of Resources	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

\$1,522,568 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, 2018. 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:			
2018	(\$211,104)	(\$578,658)	(\$789,762)
2019	(210,796)	(578,660)	(789,456)
2020	(298,188)	(1,427,862)	(1,726,050)
2021	<u>(121,827)</u>	<u>(1,021,268)</u>	<u>(1,143,095)</u>
Total	<u>(\$841,915)</u>	<u>(\$3,606,448)</u>	<u>(\$4,448,363)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries,

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credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (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 percent of male rates, and 110 percent of female rates and (g) mortality among disabled members was updated to 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 long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and

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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. Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the 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.

<u></u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's Proportionate Share of the Net Pension Liability	\$6,802,420	\$5,138,022	\$3,744,850

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's Net Pension Liability is expected to be significant.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a

Struthers City School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$35,421,548	\$26,654,411	\$19,258,815

Note 14 – Postemployment Benefits

A - School Employees Retirement System

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

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

Funding policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$40,472.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$40,472, \$36,592, and \$18,300, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. None of the School District’s contributions were allocated to fund health care for the fiscal years ended June 30, 2017, 2016 or 2015.

Note 15 - Long-term Obligations

Changes in the School District’s long-term obligations during fiscal year 2017 were as follows:

Governmental-Type Activities	Outstanding 6/30/16	Additions	Deductions	Outstanding 6/30/17	Due in One Year
General Obligation Bonds:					
2011 Classroom Facilities Refunding Bonds:					
Current Interest Term Bonds	\$1,715,000	\$0	\$0	\$1,715,000	\$265,000
Capital Appreciation Bonds	84,999	0	(84,999)	0	0
Accretion on Capital Appreciation Bonds	154,338	20,663	(175,001)	0	0
Unamortized Premium	73,226	0	(11,410)	61,816	0
Total General Obligation Bonds	2,027,563	20,663	(271,410)	1,776,816	265,000
Other Long-Term Obligations:					
Compensated Absences	1,271,572	57,470	(98,417)	1,230,625	31,880
Total Before Net Pension Liability	3,299,135	78,133	(369,827)	3,007,441	296,880
Net Pension Liability:					
STRS	21,329,438	5,324,973	0	26,654,411	0
SERS	4,005,423	1,132,599	0	5,138,022	0
Total Net Pension Liability	25,334,861	6,457,572	0	31,792,433	0
Total Long-Term Obligations	\$28,633,996	\$6,535,705	(\$369,827)	\$34,799,874	\$296,880

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

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

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

The 2011 general obligation bonds include a capital appreciation bond of \$84,999. This year the addition on this bond aggregating \$20,663 represents the accretion of discounted interest. The final maturity of this bond of \$260,000 was paid during the fiscal year.

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

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

The School District's overall legal debt margin was \$11,638,029 with an unvoted debt margin of \$139,723 at June 30, 2017.

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

Fiscal Year Ending June 30,	2011 General Obligation Refunding Bonds		
	Current Interest Bonds		
	Principal	Interest	Total
2018	\$265,000	\$58,220	\$323,220
2019	275,000	49,850	324,850
2020	275,000	40,430	315,430
2021	290,000	29,837	319,837
2022	300,000	18,400	318,400
2023	310,000	6,200	316,200
Total	\$1,715,000	\$202,937	\$1,917,937

Note 16 - Other Employee Benefits

A. Compensated Absences

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

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

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

days. Administrators and teachers can receive payment for twenty-five to thirty-five percent of the total sick leave accumulation without limit.

B. Life Insurance

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

Note 17 - Set-Asides

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

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, 2016	\$507,157
Current Year Set-Aside Requirement	336,155
Qualifying Disbursements	(107,242)
Current year offsets	0
Total	<u>\$736,070</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$736,070</u>
Cash balance as of June 30, 2017	<u>\$736,070</u>

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

In addition to the above statutory restrictions, the School District also had monies restricted for school bus purchases in the amount of \$36,291. The total restricted balance for all set-asides at the end of the fiscal year was \$772,361.

Note 18 - Jointly Governed Organizations & Council of Governments

A. Area Cooperative Computerized Educational Service System Council of Governments

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

Struthers City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid a monthly fee to ACCESS during fiscal year 2017. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2017, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

C. Ohio Schools' Council Association

The Ohio Schools' Council Association (Council) is a council of governments among area school districts. The council of governments was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2017, the Struthers City School District paid \$73,523 to the Council. Financial information can be obtained by contacting Kathleen T. Neal, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Note 19 - Shared Risk Pool

Mahoning County Schools Employee Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges

Struthers City School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

for services. To obtain the financial information write to Mahoning County Insurance Consortium, 100 Debartolo Place, Suite 115, Youngstown, Ohio 44512-7019.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

At June 30, 2017, the School District was not party to any legal proceedings.

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school district must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either an additional receivable to, or a liability of, the District.

Note 21 – Tax Abatements

As of June 30, 2017, the District provides tax abatements through an Enterprise Zone (Ezone). This program relates to the abatement of property taxes.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Struthers City School District
Mahoning County, Ohio

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07020040%	0.07019550%	0.07029300%	0.07029300%
School District's Proportionate Share of the Net Pension Liability	\$5,138,022	\$4,005,423	\$3,557,489	\$4,180,099
School District's Covered Payroll	\$2,259,825	\$2,231,695	\$2,144,457	\$2,138,341
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	227.36%	179.48%	165.89%	195.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 is not available.

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

Struthers City School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio (STRS)
Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.079629550%	0.077176900%	0.078681820%	0.078681820%
School District's Proportionate Share of the Net Pension Liability	\$26,654,411	\$21,329,438	\$19,138,142	\$22,797,229
School District's Covered Payroll	\$8,523,337	\$8,186,906	\$8,409,471	\$8,549,461
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	312.72%	260.53%	227.58%	266.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 is not available.

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

Struthers City School District

Mahoning County, Ohio

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$314,380	\$316,376	\$294,137	\$297,222
Contributions in Relation to the Contractually Required Contribution	(\$314,380)	(\$316,376)	(\$294,137)	(\$297,222)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$2,245,571	\$2,259,825	\$2,231,695	\$2,144,457
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$295,947	\$292,489	\$242,015	\$254,068	\$176,647	\$164,393
(\$295,947)	(\$292,489)	(\$242,015)	(\$254,068)	(\$176,647)	(\$164,393)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,138,341	\$2,174,636	\$1,925,336	\$1,876,425	\$1,795,189	\$1,674,064
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Struthers City School District

Mahoning County, Ohio

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,208,188	\$1,193,267	\$1,146,167	\$1,093,231
Contributions in Relation to the Contractually Required Contribution	(\$1,208,188)	(\$1,193,267)	(\$1,146,167)	(\$1,093,231)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$8,629,914	\$8,523,337	\$8,186,906	\$8,409,471
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$1,111,430	\$1,131,746	\$1,082,264	\$1,083,676	\$1,054,542	\$1,018,881
(\$1,111,430)	(\$1,131,746)	(\$1,082,264)	(\$1,083,676)	(\$1,054,542)	(\$1,018,881)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,549,461	\$8,705,741	\$8,325,110	\$8,335,970	\$8,111,862	\$7,837,549
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Struthers City School District
Mahoning County, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017*

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

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 from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (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 percent of male rates, and 110 percent of female rates and (g) mortality among disable member was updated to 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.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

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. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

**STRUTHERS CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
(C)(D) School Breakfast Program	10.553	2017	\$ 113,553
(C)(D) National School Lunch Program	10.555	2017	536,183
(D)(E) National School Lunch Program - Food Donation	10.555	2017	61,199
Total National School Lunch Program			597,382
Total U.S. Department of Agriculture and Child Nutrition Cluster			710,935
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2016	73,984
Title I Grants to Local Educational Agencies	84.010	2017	595,861
Total Title I Grants to Local Educational Agencies			669,845
Special Education Cluster:			
Special Education_Grants to States	84.027	2016	62,059
Special Education_Grants to States	84.027	2017	306,743
Total Special Education Cluster			368,802
Improving Teacher Quality State Grants	84.367	2016	9,325
Improving Teacher Quality State Grants	84.367	2017	135,217
Total Improving Teacher Quality State Grants			144,542
Total U.S. Department of Education			1,183,189
Total Federal Financial Assistance			\$ 1,894,124

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2017.
- (B) This schedule includes the federal award activity of the Struthers City School District under programs of the federal government for the fiscal year ended June 30, 2017 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Struthers City School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Struthers City School District.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of the "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Struthers City School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Struthers City School District's basic financial statements and have issued our report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Struthers City School District

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a period at the end.

Julian & Grube, Inc.
December 22, 2017



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Struthers City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Struthers City School District's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Struthers City School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Struthers City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2017.

Board of Education
Struthers City School District

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
December 22, 2017

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

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE 2 CFR § 200.515
JUNE 30, 2017**

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

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

STRUTHERS CITY SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2018**