NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet –Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual (Non-GAAP Basis) - General Fund	21
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Basis) – Classroom Facilities Maintenance Fund	22
Statement of Fund Net Position-Proprietary Fund	23
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	24
Statement of Cash Flows - Proprietary Fund	25
Statement of Net Position - Fiduciary Funds	26
Statement of Changes in Net Position – Private Purpose Trust Fund	27
Notes to the Basic Financial Statements	28
Schedule of the District's Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	67
State Teachers Retirement System (STRS) of Ohio	68
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio	69
State Teachers Retirement System (STRS) of Ohio	70

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Federal Awards Receipts and Expenditures Schedule (Prepared by Management)	73
Notes to the Federal Awards Receipts and Expenditures Schedule (Prepared by Management)	74
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*	75
Independent Auditors' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	77
Schedule of Findings	79

Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Niles City School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Niles City School District, Trumbull County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General and Classroom Facilities Maintenance funds thereof for the 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 District's basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2017

THIS PAGE INTENTIONALLY LEFT BLANK.

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

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities decreased $986,020, which represents a 9 percent decrease from fiscal year 2015.
- General revenues accounted for $26,844,481 in revenue, or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $4,606,778, or 15 percent of total revenues of $31,451,259.
- The District had $32,437,279 in expenses related to governmental activities; $4,606,778 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $26,844,481 were not entirely adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement debt service fund and the classroom facilities maintenance special revenue fund. The general fund had $25,705,576 in revenues and $25,908,157 in expenditures. During fiscal year 2016, the general fund balance decreased $285,407 from a deficit balance of $1,544,091 to a deficit balance of $1,829,498.
- The bond retirement fund balance decreased $105,647 during the year while the classroom facilities maintenance special revenue fund balance decreased $134,183.
- The District's total net pension liability increased to $32,312,744 from $28,616,224. For more information on this liability see Note 13 to the basic financial statements.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the bond retirement fund and the classroom facilities maintenance fund are the most significant funds, and the only governmental funds reported as major.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and the classroom facilities maintenance fund.

Governmental Funds

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

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Net Position (Table 1)
Governmental Activities

	2016	2015	Increase (Decrease)
Assets			
Current and Other Assets	$15,489,318	$15,337,037	$152,281
Capital Assets, Net	59,132,005	61,206,314	(2,074,309)
Total Assets	74,621,323	76,543,351	(1,922,028)
Deferred Outflows of Resources			
Deferred Charge on Refunding	44,620	57,678	(13,058)
Pension	3,172,684	2,268,958	903,726
Total Deferred Outflows of Resources	3,217,304	2,326,636	890,668
Liabilities			
Current Liabilities	3,550,759	3,270,918	279,841
Long-Term Liabilities			
Due within One Year	1,086,221	1,216,454	(130,233)
Due in More than One Year:			
Net Pension Liability	32,312,744	28,616,224	3,696,520
Other Amounts	20,218,870	21,035,952	(817,082)
Total Liabilities	57,168,594	54,139,548	3,029,046
Deferred Inflows of Resources			
Property Taxes	8,286,601	8,427,715	(141,114)
Pension	2,245,126	5,178,398	(2,933,272)
Total Deferred Inflows of Resources	10,531,727	13,606,113	(3,074,386)
Net Position			
Net Investment in Capital Assets	39,856,560	40,743,025	(886,465)
Restricted	3,573,212	3,984,509	(411,297)
Unrestricted (Deficit)	(33,291,466)	(33,603,208)	311,742
Total Net Position	$10,138,306	$11,124,326	($986,020)

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.

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.

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2016, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $10,138,306 of which $3,573,212 is restricted. This includes $451,432 restricted for capital projects through the Ohio Schools Facilities Commission (OSFC) project.

At year-end, capital assets represented nearly 76 percent of total assets and deferred outflows of resources. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of the related debt to acquire those assets at June 30, 2016, were $39,856,560. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, $3,573,212, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $33,291,466.

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

Table 2
Change in Net Position

	2016	2015	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	$1,513,286	$1,543,472	($30,186)
Operating Grants and Contributions	3,043,492	2,678,271	365,221
Capital Grants and Contributions	50,000	70,000	(20,000)
Total Program Revenues	4,606,778	4,291,743	315,035
General Revenues			
Property Taxes	7,983,776	7,969,195	14,581
Intergovernmental	18,460,531	17,187,158	1,273,373
Investment Earnings	12,991	4,782	8,209
Miscellaneous	341,308	226,649	114,659
Gain on Sale of Capital Assets	45,875	0	45,875
Total General Revenues	26,844,481	25,387,784	1,456,697
Total Revenues	$31,451,259	$29,679,527	$1,771,732

Table 2 (continued)
Change in Net Position

	2016	2015	Increase (Decrease)
Program Expenses			
Current:			
Instruction:			
Regular	$14,929,162	$14,405,221	$523,941
Special	4,129,370	3,417,241	712,129
Vocational	19,603	2,456	17,147
Other	1,164,628	1,042,676	121,952
Support Services:			
Pupil	1,235,214	1,222,158	13,056
Instructional Staff	591,798	589,615	2,183
Board of Education	75,244	64,317	10,927
Administration	2,568,562	2,298,739	269,823
Fiscal	594,527	543,977	50,550
Business	139,268	82,153	57,115
Operation and Maintenance of Plant	2,481,703	2,370,791	110,912
Pupil Transportation	1,406,544	1,083,936	322,608
Central	299,890	268,669	31,221
Operation of Non-Instructional Services	92,836	110,654	(17,818)
Operation of Food Services	1,203,814	1,128,066	75,748
Extracurricular Activities	537,855	476,643	61,212
Interest and Fiscal Charges	967,261	955,477	11,784
Total Program Expenses	32,437,279	30,062,789	2,374,490
Change in Net Position	(986,020)	(383,262)	(602,758)
Net Position Beginning of Year	11,124,326	11,507,588	(383,262)
Net Position End of Year	$10,138,306	$11,124,326	($986,020)

Net position of the District's governmental activities decreased $986,020. Total governmental expenses of $32,437,279 were partially offset by program revenues of $4,606,778 and general revenues of $26,844,481. Program revenues supported 14 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled $20,242,763, or 62 percent of total governmental expenses for fiscal year 2016.

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

(Table 3)
Total and Net Cost of Program Services

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$20,242,763	$17,957,349	$18,867,594	$16,598,251
Support Services:				
Pupils and Instructional Staff	1,827,012	1,300,821	1,811,773	1,444,869
Board of Education, Administration, Fiscal and Business	3,377,601	3,084,452	2,989,186	2,791,793
Operation and Maintenance of Plant	2,481,703	2,481,703	2,370,791	2,370,791
Pupil Transportation	1,406,544	1,303,727	1,049,675	966,777
Central	299,890	299,890	268,669	265,069
Extracurricular Activities	537,855	274,122	476,643	227,309
Operation of Non-Instructional Services:				
Food Service Operations	1,203,814	85,913	1,128,066	85,495
Other Non-Instructional Services	92,836	75,263	110,654	30,954
Interest and Fiscal Charges	967,261	967,261	989,738	989,738
Total Expenses	$32,437,279	$27,830,501	$30,062,789	$25,771,046

The dependence upon property tax for governmental activities is apparent, 39 percent of instruction activities are supported through property taxes alone. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The District's Funds

The District's governmental fund balances reported a combined fund balance of $1,647,632, which is lower than last year's total of $2,151,474. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase (Decrease)	Percentage Change
General	$ (1,829,498)	$ (1,544,091)	$ (285,407)	(18.48) %
Bond Retirement	1,652,755	1,758,402	(105,647)	(6.01) %
Classroom Facilities Maintenance	1,128,415	1,262,598	(134,183)	(10.63) %
Other Governmental	695,960	674,565	21,395	3.17 %
Total	$ 1,647,632	$ 2,151,474	$ (503,842)	(23.42) %

General Fund

The District's general fund balance decreased $285,407 from a deficit balance of $1,544,091 to a deficit balance of $1,829,498. The decrease in fund balance can be attributed to expenditures exceeding revenues within the fund. Overall, revenues increased $1,154,260 due mostly to an increase in intergovernmental revenues of $1,225,295 in fiscal year 2016. Instruction expenditures increased during fiscal year 2016 due to step and cost of living increases and the purchase of additional technology, however support services expenditures decreased due to the District's many efforts to reduce operating costs. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2016 Amount	2015 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	$ 6,166,088	$ 6,295,375	$ (129,287)	(2.05) %
Earnings on investments	10,170	4,258	5,912	138.84 %
Intergovernmental	18,088,342	16,863,047	1,225,295	7.27 %
Other revenues	1,441,076	1,388,736	52,340	3.77 %
Total	$ 25,705,676	$ 24,551,416	$ 1,154,260	4.70 %
Expenditures				
Instruction	$ 17,320,841	$ 15,826,182	$ 1,494,659	9.44 %
Support services	8,120,057	7,915,707	204,350	2.58 %
Non-instructional services	15,309	17,433	(2,124)	(12.18) %
Extracurricular activities	367,023	289,948	77,075	26.58 %
Capital outlay	50,666	174,104	(123,438)	(70.90) %
Debt service	34,261	34,261	-	n/a %
Total	$ 25,908,157	$ 24,257,635	$ 1,650,522	6.80 %

Bond Retirement Fund

During fiscal year 2016, the bond retirement debt service fund had $1,960,176 in revenues and $2,065,823 in expenditures and the fund balance decreased $105,647, to $1,652,755.

Classroom Facilities Maintenance Fund

The District's classroom facilities maintenance fund had $275,465 in revenues and $409,648 in expenditures. During fiscal year 2016, the classroom facilities maintenance fund balance decreased $134,183 to $1,128,415.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were $27,773,488 and final budgeted revenues and other financing sources were $28,588,066. Actual revenues and other financing sources for fiscal year 2016 were $25,505,375. This represents a $3,082,691 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of $25,882,903 were increased to $26,433,693 in the final appropriations. The actual budget basis expenditures for fiscal year 2016 totaled $25,843,912, which was $589,781 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets The School District's investment in capital assets for its governmental activities as of June 30, 2016, amounted to $59,132,005 (net of accumulated depreciation). The decrease in the School District's capital assets of $2,074,309 can be attributed to depreciation exceeding capital additions in the current fiscal year.

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

	2016	2015
Land	$655,575	$655,575
Land Improvements	3,020,970	3,216,937
Buildings and Improvements	52,720,202	54,420,771
Furniture and Fixtures	2,440,416	2,657,760
Vehicles	294,842	255,271
Total	$59,132,005	$61,206,314

The overall decrease in capital assets of $2,074,309 is due to depreciation expense of $2,238,291 exceeding capital outlays of $163,982 for fiscal year 2016. See Note 10 to the basic financial statements for additional information. This entire amount is reported in governmental activities.

Debt Administration

At June 30, 2016, the District had the following long term debt outstanding:

(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities	
	2016	2015
General Obligation Bonds	$19,268,028	$19,626,084
Energy Conservation Notes	527,900	659,900
OSFC Bond Anticipation Note	0	250,000
Turf Project Note	220,000	330,000
Capital Lease	97,545	128,389
Totals	$20,113,473	$20,994,373

Of this total, $983,655 is due within one year and $19,129,818 is due in greater than one year. See Note 11 to the basic financial statements for additional information.

Current Financial Related Activities

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

Contacting the District's Financial Management

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

Niles City School District

Trumbull County, Ohio

Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$5,048,302
Accounts Receivable	2,600
Intergovernmental Receivable	442,226
Property Taxes Receivable	9,989,833
Inventory Held for Resale	6,357
Nondepreciable Capital Assets	655,575
Depreciable Capital Assets, Net	58,476,430
Total Assets	74,621,323
Deferred Outflows of Resources	
Deferred Charge on Refunding	44,620
Pension:	
STRS	2,674,156
SERS	498,528
Total Deferred Outflows of Resources	3,217,304
Liabilities	
Accounts Payable	112,049
Accrued Wages and Benefits Payable	2,201,344
Intergovernmental Payable	655,140
Accrued Interest Payable	74,329
Claims Payable	507,897
Long-Term Liabilities:	
Due Within One Year	1,086,221
Due In More Than One Year:	
Net Pension Liability (See Note 13)	32,312,744
Other Amounts Due in More than One Year	20,218,870
Total Liabilities	57,168,594
Deferred Inflows of Resources	
Property Taxes	8,286,601
Pension:	
STRS	1,923,236
SERS	321,890
Total Deferred Inflows of Resources	10,531,727
Net Position	
Net Investment in Capital Assets	39,856,560
Restricted for:	
Capital Projects	451,432
Debt Service	1,917,288
Other Purposes	1,204,492
Unrestricted (Deficit)	(33,291,466)
Total Net Position	$10,138,306

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	$14,929,162	$836,332	$1,066,893	$0	($13,025,937)
Special	4,129,370	41,497	323,800	0	(3,764,073)
Vocational	19,603	0	15,000	0	(4,603)
Other	1,164,628	0	1,892	0	(1,162,736)
Support Services:					
Pupils	1,235,214	0	213,506	0	(1,021,708)
Instructional Staff	591,798	0	312,685	0	(279,113)
Board of Education	75,244	0	0	0	(75,244)
Administration	2,568,562	58,014	235,135	0	(2,275,413)
Fiscal	594,527	0	0	0	(594,527)
Business	139,268	0	0	0	(139,268)
Operation and Maintenance of Plant	2,481,703	0	0	0	(2,481,703)
Pupil Transportation	1,406,544	102,650	167	0	(1,303,727)
Central	299,890	0	0	0	(299,890)
Operation of Non-Instructional Services	92,836	11,226	6,347	0	(75,263)
Operation of Food Services	1,203,814	258,097	859,804	0	(85,913)
Extracurricular Activities	537,855	205,470	8,263	50,000	(274,122)
Interest and Fiscal Charges	967,261	0	0	0	(967,261)
Total Governmental Activities	$32,437,279	$1,513,286	$3,043,492	$50,000	(27,830,501)

General Revenues	
Property Taxes Levied for:	
General Purposes	6,192,197
Debt Service	1,604,840
Other Purposes	186,739
Grants and Entitlements not Restricted to Specific Programs	18,460,531
Investment Earnings	12,991
Miscellaneous	341,308
Gain on Sale of Capital Assets	45,875
Total General Revenues	26,844,481
Change in Net Position	(986,020)
Net Position Beginning of Year	11,124,326
Net Position End of Year	$10,138,306

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Balance Sheet
Governmental Funds
June 30, 2016

	General	Bond Retirement	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$502,620	$1,639,122	$1,148,087	$889,814	$4,179,643
Accounts Receivable	2,600	0	0	0	2,600
Interfund Receivable	151,983	0	0	0	151,983
Intergovernmental Receivable	0	0	0	442,226	442,226
Property Taxes Receivable	8,135,435	1,628,475	225,923	0	9,989,833
Inventory Held for Resale	0	0	0	6,357	6,357
Total Assets	$8,792,638	$3,267,597	$1,374,010	$1,338,397	$14,772,642
Liabilities					
Accounts Payable	$99,652	$0	$10,122	$2,275	$112,049
Accrued Wages and Benefits Payable	1,891,189	0	2,032	308,123	2,201,344
Intergovernmental Payable	563,811	0	9,409	81,920	655,140
Interfund Payable	0	0	0	151,983	151,983
Total Liabilities	2,554,652	0	21,563	544,301	3,120,516
Deferred Inflows of Resources					
Property Taxes	6,748,958	1,350,309	187,334	0	8,286,601
Unavailable Revenue - Property Taxes	1,318,526	264,533	36,698	0	1,619,757
Unavailable Revenue - Grants	0	0	0	98,136	98,136
Total Deferred Inflows of Resources	8,067,484	1,614,842	224,032	98,136	10,004,494
Fund Balances					
Restricted	0	1,652,755	1,128,415	819,598	3,600,768
Committed	0	0	0	68,711	68,711
Assigned	232,166	0	0	0	232,166
Unassigned (Deficit)	(2,061,664)	0	0	(192,349)	(2,254,013)
Total Fund Balances	(1,829,498)	1,652,755	1,128,415	695,960	1,647,632
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$8,792,638	$3,267,597	$1,374,010	$1,338,397	$14,772,642

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances		$1,647,632
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		59,132,005
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	1,619,757	
Grants	98,136	
Total		1,717,893
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
STRS	(26,741,733)	
SERS	(5,571,011)	
Total		(32,312,744)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions:		
STRS	2,674,156	
SERS	498,528	
Total		3,172,684
Deferred inflows of resources related to pensions:		
STRS	(1,923,236)	
SERS	(321,890)	
Total		(2,245,126)
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.		360,762
In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		(74,329)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(18,220,000)	
Capital Appreciation Bonds	(210,000)	
Accretion on Bonds	(638,840)	
Unamortized Premium on Bonds	(199,188)	
Deferred Charge on Refunding	44,620	
Energy Conservation Note	(527,900)	
Turf Project Note	(220,000)	
Capital Lease	(97,545)	
Compensated Absences	(1,191,618)	
Total		(21,260,471)
Net Position of Governmental Activities		$10,138,306

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

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

	General	Bond Retirement	Classroom Facilities Maintenance	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$6,166,088	$1,631,101	$182,351	$0	$7,979,540
Tuition and Fees	887,765	0	0	4,820	892,585
Interest	10,170	0	0	2,731	12,901
Charges for Services	0	0	0	258,097	258,097
Extracurricular Activities	64,484	0	0	113,670	178,154
Rentals	81,800	0	0	0	81,800
Contributions and Donations	10,437	50,000	0	8,263	68,700
Intergovernmental	18,088,342	279,075	93,114	3,088,649	21,549,180
Miscellaneous	293,840	0	0	47,468	341,308
Transportation Fees	102,650	0	0	0	102,650
Total Revenues	25,705,576	1,960,176	275,465	3,523,698	31,464,915
Expenditures					
Current:					
Instruction:					
Regular	12,322,050	0	0	1,057,399	13,379,449
Special	3,833,009	0	0	344,388	4,177,397
Vocational	3,598	0	0	21,000	24,598
Other	1,162,184	0	0	2,791	1,164,975
Support Services:					
Pupils	1,087,825	0	0	184,111	1,271,936
Instructional Staff	251,427	0	0	335,375	586,802
Board of Education	74,479	0	0	0	74,479
Administration	2,243,130	0	70,264	231,373	2,544,767
Fiscal	552,248	27,185	3,675	7,458	590,566
Business	141,215	0	0	0	141,215
Operation and Maintenance of Plant	2,169,434	0	308,842	0	2,478,276
Pupil Transportation	1,315,922	0	0	178	1,316,100
Central	303,099	0	0	4,968	308,067
Operation of Non-Instructional Services	15,309	0	9,553	6,150	31,012
Operation of Food Services	0	0	0	1,200,416	1,200,416
Extracurricular Activities	367,023	0	0	120,673	487,696
Capital Outlay	31,944	0	17,314	114,724	163,982
Debt Service:					
Principal Retirement	30,844	1,157,000	0	0	1,187,844
Interest and Fiscal Charges	3,417	881,638	0	0	885,055
Total Expenditures	25,908,157	2,065,823	409,648	3,631,004	32,014,632
Excess of Revenues Over (Under) Expenditures	(202,581)	(105,647)	(134,183)	(107,306)	(549,717)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	0	0	0	45,875	45,875
Transfers In	0	0	0	82,826	82,826
Transfers Out	(82,826)	0	0	0	(82,826)
Total Other Financing Sources (Uses)	(82,826)	0	0	128,701	45,875
Net Change in Fund Balances	(285,407)	(105,647)	(134,183)	21,395	(503,842)
Fund Balance (Deficit) Beginning of Year	(1,544,091)	1,758,402	1,262,598	674,565	2,151,474
Fund Balance (Deficit) End of Year	($1,829,498)	$1,652,755	$1,128,415	$695,960	$1,647,632

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

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

Net Change in Fund Balances - Total Governmental Funds		($503,842)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	163,982	
Current Year Depreciation	(2,238,291)	
Total		(2,074,309)
The net effect of various transactions involving capital assets (i.e.; disposals and sales) is a decrease in net position.		
Assets Disposed	(59,590)	
Accumulated Depreciation on Disposals	59,590	
Total		0
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	4,236	
Intergovernmental Grants	(63,857)	
Total		(59,621)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.		1,187,844
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Interest on Bonds & Notes	9,294	
Accreted Interest on Capital Appreciation Bonds	(107,756)	
Amortization of Bond Premiums	29,314	
Amortization of Deferred Charge on Refunding	(13,058)	
Total		(82,206)
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	1,400,889	
SERS	407,831	
Total		1,808,720
Cost of benefits earned net of employee contributions		
STRS	(1,229,572)	
SERS	(438,670)	
Total		(1,668,242)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(162,087)
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.		567,723
Change in Net Position of Governmental Activities		($986,020)

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$6,773,442	$6,773,442	$6,140,011	($633,431)
Tuition and Fees	965,208	996,769	884,196	(112,573)
Interest	11,102	11,465	10,170	(1,295)
Rentals	100,211	103,488	91,800	(11,688)
Intergovernmental	19,745,633	20,391,298	18,088,342	(2,302,956)
Miscellaneous	65,838	67,991	60,312	(7,679)
Transportation Fees	112,054	115,719	102,650	(13,069)
Total Revenues	27,773,488	28,460,172	25,377,481	(3,082,691)
Expenditures				
Current:				
Instruction:				
Regular	12,044,145	12,344,249	12,315,421	28,828
Special	3,729,856	3,794,814	3,791,495	3,319
Vocational	5,200	5,199	3,598	1,601
Other	1,174,127	1,173,820	1,164,341	9,479
Support Services:				
Pupils	1,114,944	1,134,124	1,104,777	29,347
Instructional Staff	246,026	245,962	243,064	2,898
Board of Education	85,345	85,323	82,997	2,326
Administration	2,123,995	2,189,818	2,121,880	67,938
Fiscal	575,871	589,619	548,577	41,042
Business	148,036	147,998	141,339	6,659
Operation and Maintenance of Plant	2,372,305	2,413,190	2,182,223	230,967
Pupil Transportation	1,407,197	1,446,789	1,346,104	100,685
Central	353,525	357,645	299,613	58,032
Operation of Non-Instructional Services	24,247	24,240	19,268	4,972
Extracurricular Activities	347,106	349,938	348,250	1,688
Capital Outlay	48,152	48,139	48,139	0
Total Expenditures	25,800,077	26,350,867	25,761,086	589,781
Excess of Revenues Over (Under) Expenditures	1,973,411	2,109,305	(383,605)	(2,492,910)
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	0	127,894	127,894	0
Transfers Out	(82,826)	(82,826)	(82,826)	0
Total Other Financing Sources (Uses)	(82,826)	45,068	45,068	0
Net Change in Fund Balance	1,890,585	2,154,373	(338,537)	(2,492,910)
Fund Balance Beginning of Year	509,813	509,813	509,813	0
Prior Year Encumbrances Appropriated	98,421	98,421	98,421	0
Fund Balance End of Year	$2,498,819	$2,762,607	$269,697	($2,492,910)

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$147,644	$149,905	$181,507	$31,602
Intergovernmental	75,742	76,902	93,114	16,212
Total Revenues	223,386	226,807	274,621	47,814
Expenditures				
Current:				
Support Services:				
Administration	130,516	76,611	70,306	6,305
Fiscal	7,666	4,500	3,675	825
Operation and Maintenance of Plant	605,197	366,568	339,275	27,293
Operation of Non-Instructional Services	38,626	22,673	18,513	4,160
Capital Outlay	10,000	10,000	0	10,000
Total Expenditures	792,005	480,352	431,769	48,583
Net Change in Fund Balance	(568,619)	(253,545)	(157,148)	96,397
Fund Balance Beginning of Year	1,237,083	1,237,083	1,237,083	0
Prior Year Encumbrances Appropriated	37,423	37,423	37,423	0
Fund Balance End of Year	$705,887	$1,020,961	$1,117,358	$96,397

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

Statement of Fund Net Position
Proprietary Fund
June 30, 2016

	Internal Service
Assets	
Equity in Pooled Cash and Cash Equivalents	$868,659
Liabilities	
Claims Payable	507,897
Net Position	
Unrestricted	$360,762

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

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

	Internal Service
Operating Revenues	
Charges for Services	$5,276,352
Operating Expenses	
Purchased Services	667,646
Claims	4,041,073
Total Operating Expenses	4,708,719
Operating Income	567,633
Non-Operating Revenues	
Interest	90
Change in Net Position	567,723
Net Position Beginning of Year	(206,961)
Net Position End of Year	$360,762

See accompanying notes to the basic financial statements

Niles City School District

Trumbull County, Ohio

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Internal Service
Decrease in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	$5,276,352
Cash Payments for Goods and Services	(667,646)
Cash Payments for Claims	(4,011,375)
Net Cash Provided by Operating Activities	597,331
Cash Flows from Investing Activities	
Interest on Investments	90
Net Increase in Cash and Cash Equivalents	597,421
Cash and Cash Equivalents Beginning of Year	271,238
Cash and Cash Equivalents End of Year	$868,659
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$567,633
Adjustments:	
Change in Claims Payable	29,698
Net Cash Provided by Operating Activities	$597,331

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Statement of Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	
	Scholarship	Agency
Current Assets		
Equity in Pooled Cash and Cash Equivalents	$281,094	$36,518
Current Liabilities		
Due to Students	0	$36,518
Net Position		
Held in Trust for Scholarships	$281,094	

See accompanying notes to the basic financial statements

Niles City School District
Trumbull County, Ohio

Statement of Changes in Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2016

	Scholarship
Additions	
Interest	$431
Contributions and Donations	6,500
Total Additions	6,931
Deductions	
Scholarships Awarded	20,106
Change in Net Position	(13,175)
Net Position Beginning of Year	294,269
Net Position End of Year	$281,094

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Niles City School District (the "District") operates under a locally-elected five-member Board and provides educational services as mandated by State and/or Federal agencies. The Board controls the District's 6 instructional and support service facilities, which are staffed by 183 certified and 95 classified employees who provide services to students and other community members.

The District is located in Niles, Ohio, in Trumbull County, and includes an area covering eight square miles throughout the City. The District is the 166th largest among the 918 public school districts and community schools in the State of Ohio in terms of enrollment. The enrollment of the District during fiscal year 2016 was 2,380.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

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

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

State Support Team Region 5 (the "Team")
The Team is a jointly governed organization among the school districts located in Trumbull, Mahoning, Ashtabula and Columbiana counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improving instructional programs.

The Team is governed by a Board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512.

RELATED ORGANIZATION

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

PUBLIC ENTITY RISK POOLS

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

Classroom facilities maintenance fund - This fund was established pursuant to Section 3318.06, Ohio Revised Code, and accounts for property taxes restricted for the maintenance and upkeep of classroom facilities.

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding and for pension. 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 District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension 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 entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and

appropriated. The legal level of budgetary control is at the fund, function and object level for the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

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

F. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to $10,170, which includes $6,732 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the consumption method on both the fund financial statements and the government-wide financial statements.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

Governmental capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2016, the District maintained a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Classifications

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

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

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

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

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

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

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

M. Operating Revenues and Expenses

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

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include amounts restricted for food service, non-public schools and community involvement.

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

O. Estimates

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

P. Internal Activity

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

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

Q. Parochial School

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

R. Unamortized Premiums

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

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

S. Deferred Charge on Refunding

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

T. Pensions

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 positon 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.

NOTE 3 – ACCOUNTABILITY

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

Major Fund:	Deficit
General Fund	$1,829,498
Nonmajor Funds:	
Food Service Fund	116,425
IDEA Part B Fund	23,108
Title I Fund	46,987
Improving Teacher Quality Fund	5,829

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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.

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal

government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the 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.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the 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 District had $300 in undeposited cash on hand which is included in the basic financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was $3,366,187. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, $2,009,949 of the District's bank balance of $2,835,418 was covered by the Federal Deposit Insurance Corporation, while $825,469 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

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

	Fair Value	Maturity
STAR Ohio	$1,999,427	6 months or less

STAR Ohio is measured at net asset value per share.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio a AAAm money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. None of the District's investments are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

	Fair Value	% of Total
STAR Ohio	$1,999,427	100.00%

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

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

Cash and Investments per Note Disclosure		Cash and Investments per Statement of Net Position	
Carrying amount of deposits	$3,366,187	Governmental Activities	$5,048,302
Investments	1,999,427	Private Purpose Trust Funds	281,094
Cash on Hand	300	Agency Fund	36,518
Total	$5,365,914		$5,365,914

NOTE 5 - INTERFUND TRANSACTIONS

A. Advances

Due from and to other funds at June 30, 2016 consisted of the following amounts, as reported in the fund financial statements:

	Due from:
	Nonmajor Special Revenue Funds
Due to:	
General Fund	$151,983

The purpose of these amounts due from and to other funds is to cover negative cash balances in nonmajor special revenue funds. Effective April 1, 2007, the District may maintain negative cash balances if two criteria are met: (1) the general fund must have available and unencumbered funds to cover the negative amounts; and (2) a reimbursement request must have been submitted by the fiscal year-end. The District has met these two requirements.

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

B. Transfers

The general fund made one transfer totaling $82,826 to the food service special revenue fund.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2013, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2016 was $67,951 in the general fund, $13,633 in the bond retirement debt service fund and $1,891 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2015 was $41,874 in the general fund, $9,422 in the bond retirement debt service fund and $1,047 in the classroom facilities maintenance special revenue fund. The difference was in timing and collection by the County Auditor.

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

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

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$214,340,560	98.77 %	$213,607,530	98.51 %
Public Utility Personal	2,671,270	1.23	3,230,910	1.49
Total	$217,011,830	100.00 %	$216,838,440	100.00 %
Tax rate per $1,000 of assessed valuation	$56.80		$56.25	

NOTE 7 – FUND BALANCES

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

Fund Balances	General	Bond Retirement	Classroom Facilities Maintenance	Nonmajor Governmental	Total
Restricted for:					
School Supplies	$0	$0	$0	$1,080	$1,080
Technology Improvements	0	0	0	71,443	71,443
Classroom Maintenance	0	0	1,128,415	0	1,128,415
Debt Service Payments	0	1,652,755	0	0	1,652,755
Capital Improvements	0	0	0	680,329	680,329
Other Purposes	0	0	0	66,746	66,746
Total Restricted	0	1,652,755	1,128,415	819,598	3,600,768
Committed to:					
Extracurricular Activities	0	0	0	68,711	68,711
Assigned to:					
Other Purposes	21,113	0	0	0	21,113
Encumbrances	211,053	0	0	0	211,053
Total Assigned	232,166	0	0	0	232,166
Unassigned (Deficit)	(2,061,664)	0	0	(192,349)	(2,254,013)
Total Fund Balances	($1,829,498)	$1,652,755	$1,128,415	$695,960	$1,647,632

NOTE 8 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities	Amount
Property Taxes	$9,989,833
Accounts	2,600
Intergovernmental	442,226
Total	$10,434,659

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

NOTE 9 - COMPENSATED ABSENCES

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

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

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

NOTE 10 – CAPITAL ASSETS

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

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Governmental Activities:				
Capital assets not being depreciated:				
Land	$655,575	$0	$0	$655,575
Capital assets being depreciated:				
Land improvements	4,064,194	0	0	4,064,194
Buildings and improvements	62,587,503	0	0	62,587,503
Furniture, fixtures and equipment	4,626,683	81,287	(59,590)	4,648,380
Vehicles	984,542	82,695	0	1,067,237
Total capital assets being depreciated	72,262,922	163,982	(59,590)	72,367,314
Accumulated depreciation:				
Land improvements	(847,257)	(195,967)	0	(1,043,224)
Buildings and improvements	(8,166,732)	(1,700,569)	0	(9,867,301)
Furniture, fixtures and equipment	(1,968,923)	(298,631)	59,590	(2,207,964)
Vehicles	(729,271)	(43,124)	0	(772,395)
Total accumulated depreciation	(11,712,183)	(2,238,291) *	59,590	(13,890,884)
Capital assets being depreciated, net	60,550,739	(2,074,309)	0	58,476,430
Governmental activities capital assets, net	$61,206,314	($2,074,309)	$0	$59,132,005

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$1,937,466
Special	424
Support Services:	
Pupil	1,249
Instructional Staff	41,400
Board of Education	2,026
Administration	23,420
Fiscal	276
Operation and Maintenance of Plant	35,826
Pupil Transportation	75,569
Operation of Non-Instructional Services	57,357
Operation of Food Services	7,678
Extracurricular	55,600
Total Depreciation Expense	$2,238,291

NOTE 11 – LONG-TERM OBLIGATIONS

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

Governmental activities:	Balance 06/30/15	Additions	Reductions	Balance 06/30/16	Amounts Due in One Year
General obligation bonds:					
Current interest bonds - Series 2009	$ 15,980,000	$ -	$ (300,000)	$ 15,680,000	$ 325,000
Capital appreciation bonds - Series 2009	120,000	-	-	120,000	-
Accreted interest - Series 2009	413,074	68,846	-	481,920	-
Current interest bonds - Series 2010	2,905,000	-	(365,000)	2,540,000	385,000
Capital appreciation bonds - Series 2010	90,000	-	-	90,000	-
Accreted interest - Series 2010	118,010	38,910	-	156,920	-
Total general obligation bonds	19,626,084	107,756	(665,000)	19,068,840	710,000
Other long-term obligations:					
Energy conservation notes	659,900	-	(132,000)	527,900	132,000
OSFC bond anticipation note	250,000	-	(250,000)	-	-
Turf project note	330,000	-	(110,000)	220,000	110,000
Compensated absences	1,029,531	190,697	(28,610)	1,191,618	102,556
Capital Lease	128,389	-	(30,844)	97,545	31,655
Total other long-term obligations	2,397,820	190,697	(551,454)	2,037,063	376,211
Net Pension Liability:					
STRS	23,518,994	4,704,285	(1,481,546)	26,741,733	-
SERS	5,097,230	991,389	(517,608)	5,571,011	-
Total Net Pension Liability	28,616,224	5,695,674	(1,999,154)	32,312,744	-
Total long-term obligations	$ 50,640,128	$ 5,994,127	$ (3,215,608)	$ 53,418,647	$ 1,086,211
Add: Unamortized premium on bond issuance - 2009				118,790	
Add: Unamortized premium on bond issuance - 2010				80,398	
Total on statement of net position				$ 53,617,835	

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

These bonds represent the amount of the construction project that the District was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC made quarterly disbursements to the District during the construction project. As of June 30, 2016, the total cost of the construction project is $54,452,539, of which OSFC will pay $37,470,722.

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

This bond issuance is comprised of current interest bonds, par value $9,904,893, current interest term bonds, par value $8,220,000, and capital appreciation bonds, par value $120,000. The interest rates on the current interest bonds range from 2.00% to 5.00%. The interest rates on the current interest term bonds range from 4.875% to 5.00%. The capital appreciation bonds mature on December 1, 2017 (10.655%), December 1, 2018 (9.186%), December 1, 2019 (23.634%) and December 1, 2020 (23.225%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital acquisition bonds is $860,000. A total of $481,920 in accreted interest on the capital appreciation bonds has been included in the long-term liabilities on the statement of net position at June 30, 2016. The current interest bonds maturing on or after December 1, 2019 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest to the redemption date:

Redemption Dates	Redemtion Price
December 1, 2019 and thereafter	100.0% of par

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

Series 2010 Refunding General Obligation Bonds: On July 13, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund the callable portion of the Series 2001 school improvement current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded current interest bonds at June 30, 2016, is $3,535,000.

The refunding issue is comprised of both current interest bonds, par value $3,445,000, and capital appreciation bonds par value $90,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. The capital appreciation bonds mature on December 1, 2019 (effective interest rate 17.91%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2019 is $450,000. Total accreted interest of $156,920 has been included in the statement of net position at June 30, 2016.

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

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

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

Ohio School Facilities Commission Bond Anticipation Note: During fiscal year 2016, the District issued a classroom facilities improvement note in the amount of $250,000. This note was issued in November of 2015, matures in December of 2016, and carries an interest rate of 2.75%. These notes are a general obligation of the District and are reported as a component of long-term liabilities on the statement of net position.

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

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

The District pays obligations related to employee compensation from the fund benefitting from their service.

Principal and interest payments to retire the long-term obligations as of June 30, 2016 are as follows:

Fiscal	Current Interest Bonds, Series 2009			Capital Appreciation Bonds, Series 2009		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2017	$325,000	$731,120	$1,056,120	$0	$0	$0
2018	280,000	720,939	1,000,939	25,000	35,000	60,000
2019	340,000	709,919	1,049,919	30,000	40,000	70,000
2020	70,000	702,469	772,469	35,000	325,000	360,000
2021	75,000	699,639	774,639	30,000	340,000	370,000
2021 - 2025	2,960,000	3,204,314	6,164,314	0	0	0
2026 -2030	4,475,000	2,365,636	6,840,636	0	0	0
2031 - 2035	5,745,000	1,093,169	6,838,169	0	0	0
2036 - 2037	1,410,000	35,250	1,445,250	0	0	0
Total	$15,680,000	$10,262,455	$25,942,455	$120,000	$740,000	$860,000

Fiscal	Current Interest Bonds, Series 2010			Capital Appreciation Bonds, Series 2010		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2017	$385,000	$86,675	$471,675	$0	$0	$0
2018	405,000	73,813	478,813	0	0	0
2019	425,000	59,288	484,288	0	0	0
2020	0	51,850	51,850	90,000	360,000	450,000
2021	460,000	43,225	503,225	0	0	0
2022 - 2023	865,000	32,700	897,700	0	0	0
Total	$2,540,000	$347,551	$2,887,551	$90,000	$360,000	$450,000

Fiscal Year	Energy Conservation Notes			Turf Project Notes***		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2017	$132,000	$21,739	$153,739	$110,000	$5,770	$115,770
2018	132,000	16,034	148,034	110,000	2,482	112,482
2019	132,000	10,292	142,292	0	0	0
2020	131,900	4,555	136,455	0	0	0
Total	$527,900	$52,620	$580,520	$220,000	$8,252	$228,252

*** The District has secured $390,000 in private donations to offset the cost of this project and pay back these notes over their term.

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

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

The effects of these debt limitations at June 30, 2016, are a legal voted debt margin of $2,518,035 (including available funds of $1,652,755), a legal unvoted debt margin of $216,836, and a legal energy conservation debt margin of $1,640,464.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted with Harcum-Hylant Agency, Inc. for property, liability and fleet insurance. The insurance coverages are as follows:

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

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

B. Life Insurance

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

C. Employee Medical Benefits

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

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

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

The claims liability of $507,897 reported in the Employee Benefits Self-Insurance internal service fund at June 30, 2016 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting And Financial Reporting For Risk Financing And Related Insurance Issues", and as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Claims activity for the current year is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	$307,748	3,660,339	3,489,888	$478,199
2016	478,199	4,041,073	4,011,375	507,897

D. Workers' Compensation

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

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

NOTE 13 – DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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

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

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies,

earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

B. School Employees Retirement System

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was $407,831 for the fiscal year ended June 30, 2016. Of this amount $244,728 was reported as an intergovernmental payable.

C. State Teachers Retirement System of Ohio

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, 2016, the calculation will be 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 year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2016, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

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

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

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

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. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $1,400,889 for the fiscal year ended June 30, 2016. Of this amount $248,812 was reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.10071700%	0.09669263%	
Proportion of the Net Pension Liability Current Measurement Date	0.09763260%	0.09676036%	
Change in Proportionate Share	-0.00308440%	0.00006773%	
Proportionate Share of the Net Pension Liability	$5,571,011	$26,741,733	$32,312,744
Pension Expense	$438,670	$1,229,572	$1,668,242

At June 30, 2016, 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	$90,697	$1,218,967	$1,309,664
Change in proportionate share and difference between District contributions and proportionate share of contributions	0	54,300	54,300
District contributions subsequent to the measurement date	407,831	1,400,889	1,808,720
Total Deferred Outflows of Resources	$498,528	$2,674,156	$3,172,684
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$203,586	$1,923,236	$2,126,822
Change in proportionate share and difference between District contributions and proportionate share of contributions	118,304	0	118,304
Total Deferred Inflows of Resources	$321,890	$1,923,236	$2,245,126

$1,808,720 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	($110,829)	($420,466)	($531,295)
2018	(110,829)	(420,466)	(531,295)
2019	(111,264)	(420,464)	(531,728)
2020	101,729	611,427	713,156
Total	($231,193)	($649,969)	($881,162)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	$7,724,990	$5,571,011	$3,757,183

Changes between Measurement Date and Report Date

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

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 %	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	$37,146,285	$26,741,733	$17,943,134

E. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2016, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit

earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was $51,261.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $28,105 and $27,235, respectively. The full amount has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS Ohio did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $102,989 respectively. The full amount has been contributed for all three fiscal years.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).

4. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

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

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

Net Change in Fund Balance

	General	Classroom Facilities Maintenance
GAAP Basis	($285,407)	($134,183)
Net Adjustment for Revenue Accruals	(287,558)	(844)
Net Adjustment for Expenditure Accruals	333,894	8,608
Net Adjustment for Funds Budgeted as Special Revenue	87,357	0
Adjustment for Encumbrances	(186,823)	(30,729)
Budget Basis	($338,537)	($157,148)

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2016.

C. School District Foundation

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

NOTE 17 - STATUTORY RESERVES

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

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2015	$0
Current Year Set-Aside Requirement	432,748
Qualifying Disbursements	(242,472)
Current year offsets	(274,621)
Total	($84,345)
Set-Aside Balance Carried Forward to Future Fiscal Years	$0
Cash balance as of June 30, 2016	$0

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 18 - OTHER COMMITMENTS

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

Fund Type	Outstanding Encumbrances
General Fund	$186,823
Classroom Facilities Maintenance Fund	30,729
Other Nonmajor Governmental Funds	456,242
	$673,794

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

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

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

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

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

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

NOTE 20 – CAPITALIZED LEASE – LESSEE DISCLOSURE

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

Governmental activities capital assets consisting of vehicles have been capitalized in the amount of $167,150. This amount represents the present value of the future minimum lease payments at the time of acquisition. During fiscal year 2016, depreciation of $10,447 was taken on these busses, resulting in a book value of $146,256.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments on the lease in the 2016 fiscal year totaled $30,844 and $3,417, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30,	
2017	$34,261
2018	34,261
2019	34,261
Total Minimum Lease Payments	102,783
Less: Amount Representing Interest	(5,238)
Present Value of Minimum Lease	$97,545

NOTE 21 – FINANCIAL CONDITION

In accordance with Ohio Revised Code Section 3316.031, the Ohio Department of Education declared the District to be in a state of fiscal watch in 2003. The District's year-end deficit balances have been disclosed in Note 3. An entity may be released from fiscal watch if the Department of Education determines that corrective actions have been or are being implemented. The performance audit report provided recommendations to eliminate the conditions that brought about the declaration of fiscal watch. The performance audit report contained the following noteworthy accomplishments made by the District while in fiscal watch: 1) the District's voters approved a 4.65 mill renewal levy, 2) reductions in force, and 3) entered into negotiations to address costly health care provisions. These steps made such a significant impact on reducing the District's current projected deficit, that the District was released from fiscal watch on June 29, 2016. A copy of the District's performance audit and fiscal watch termination can be viewed at http://www.auditor.state.oh.us/auditsearch/search.aspx.

Niles City School District
Trumbull County, Ohio

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.09763260%	0.10071700%	0.10071700%
School District's Proportionate Share of the Net Pension Liability	$5,571,011	$5,097,230	$5,989,317
School District's Covered-Employee Payroll	$3,094,313	$3,026,131	$3,237,045
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	180.04%	168.44%	185.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Niles City School District
Trumbull County, Ohio

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.096760360%	0.096692630%	0.096692630%
School District's Proportionate Share of the Net Pension Liability	$26,741,733	$23,518,994	$28,015,672
School District's Covered-Employee Payroll	$10,006,350	$10,298,908	$10,441,985
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	267.25%	228.36%	268.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

Niles City School District
Trumbull County, Ohio

Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio (SERS)
Last Four Fiscal Years (1)

	2016	2015	2014	2013
Contractually Required Contribution	$407,831	$517,608	$419,422	$448,007
Contributions in Relation to the Contractually Required Contribution	($407,831)	($517,608)	($419,422)	($448,007)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered-Employee Payroll	$2,913,079	$3,927,223	$3,026,131	$3,237,045
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2013 available upon request.

Niles City School District
Trumbull County, Ohio

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio (STRS)
Last Four Fiscal Years (1)

	2016	2015	2014	2013
Contractually Required Contribution	$1,400,889	$1,481,546	$1,338,858	$1,357,458
Contributions in Relation to the Contractually Required Contribution	($1,400,889)	($1,481,546)	($1,338,858)	($1,357,458)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered-Employee Payroll	$10,006,350	$10,582,471	$10,298,908	$10,441,985
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 available upon request.

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

THIS PAGE INTENTIONALLY LEFT BLANK.

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
Non Cash Assistance (Food Distribution)				
National School Lunch Program	2016	10.555	$ 65,642	$ 65,642
Cash Assistance:				
National School Breakfast Program	2016	10.553	$ 139,527	$ 139,527
National School Lunch Program	2016	10.555	638,350	638,350
Total Nutrition Cluster			777,877	777,877
Total U.S. Department of Agriculture			**843,519**	**843,519**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	2015	84.010	234,960	189,163
Title I Grants to Local Educational Agencies	2016	84.010	885,939	977,150
Total Title I Grants to Local Educational Agencies			**1,120,899**	**1,166,313**
Special Education Cluster (IDEA)				
Special Education Grants to States	2015	84.027	106,645	88,948
Special Education Grants to States	2016	84.027	476,312	528,743
Total Special Education Grants to States			**582,957**	**617,691**
Improving Teacher Quality State Grants Title II, Part A				
Improving Teacher Quality State Grants	2015	84.367	121,327	124,384
Improving Teacher Quality State Grants	2016	84.367	121,556	129,899
Total Improving Teacher Quality State Grants			**242,883**	**254,283**
Total U.S. Department of Education			**1,946,739**	**2,038,287**
Total Federal Financial Assistance			**$2,790,258**	**$2,881,806**

The accompanying notes to this schedule are an integral part of this schedule.

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) includes the federal award activity of Niles City School District's (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Niles City School District, Trumbull County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2017.

Internal Control Over Financial Reporting

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

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 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.

Compliance and Other Matters

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001
www.ohioauditor.gov

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the 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 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.

Dave Yost
Auditor of State
Columbus, Ohio

February 10, 2017

NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Nutrition Cluster (10.553 and 10.555)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

This page intentionally left blank.

Dave Yost • Auditor of State

NILES CITY SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov