



OHIO AUDITOR OF STATE
KEITH FABER



**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
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 (Non-GAAP Basis) and Actual General Fund.....	21
Statement of Fund Net Position	
Proprietary Fund.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Fund.....	23
Statement of Cash Flows	
Proprietary Fund.....	24
Statement of Fiduciary Net Position	
Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position	
Private Purpose Trust Funds.....	26
Notes to the Basic Financial Statements	27

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2019**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability (SERS)	R2
Schedule of the School District's Proportionate Share of the Net OPEB Liability (SERS)	R4
Schedule of the School District's Proportionate Share of the Net Pension Liability (STRS)	R6
Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability (STRS)	R8
Schedule of the School District's Contributions (SERS)	R10
Schedule of the School District's Contributions (STRS)	R12
Notes to Required Supplementary Information	R14
Schedule of Expenditures of Federal Awards	67
Notes to the Schedule of Expenditures of Federal Awards	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	71
Schedule of Findings	75
Prepared by Management:	
Summary Schedule of Prior Audit Findings	83
Corrective Action Plan	85

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Niles City School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Niles City School District, Trumbull County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District is experiencing certain financial difficulties. These conditions and management's plans to address these conditions are described in Note 24. Also, as discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the emergency measures will impact subsequent periods of the District. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

April 23, 2020

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Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

As management of the Niles City School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Net position increased in fiscal year 2019 due mainly to changes in the net pension liability and net OPEB (asset) liability as well as increases in cash and cash equivalents and decreases in debt obligations, partially offset by a decrease in net capital assets.
- The capital asset additions for fiscal year 2019 included a technology upgrade HCI system acquired through a capital lease purchasing agreement.
- Outstanding long-term obligations decreased during fiscal year 2019 due to decreases in the net pension and OPEB liabilities along with annual debt payments.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental 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 difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund The School District maintains an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District utilizes an internal service fund to account for self-insured health insurance claims.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the School District's own programs. These funds use the accrual basis of accounting.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2019 compared to 2018.

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 1
Net Position
Governmental Activities

	2019	Restated 2018	Change
Assets			
Current and Other Assets	\$15,556,627	\$14,574,232	\$982,395
Capital Assets, Net	52,968,822	54,913,393	(1,944,571)
Net OPEB Asset	1,593,943	0	1,593,943
Total Assets	70,119,392	69,487,625	631,767
Deferred Outflows of Resources			
Deferred Charge in Refunding	831,636	892,132	(60,496)
Pension	7,378,882	9,290,239	(1,911,357)
OPEB	323,004	273,281	49,723
<i>Total Deferred Outflows of Resources</i>	<i>8,533,522</i>	<i>10,455,652</i>	<i>(1,922,130)</i>
Liabilities			
Current Liabilities	4,401,012	3,934,404	(466,608)
Long-Term Liabilities			
Due Within One Year	1,220,832	1,065,451	(155,381)
Due in More Than One Year:			
Net Pension Liability	26,960,857	29,245,539	2,284,682
Net OPEB Liability	2,542,655	6,507,196	3,964,541
Other Amounts	18,752,690	19,425,114	672,424
<i>Total Liabilities</i>	<i>53,878,046</i>	<i>60,177,704</i>	<i>6,299,658</i>
Deferred Inflows of Resources			
Property Taxes	8,211,799	8,584,782	372,983
Pension	2,338,130	1,595,653	(742,477)
OPEB	3,006,326	771,243	(2,235,083)
<i>Total Deferred Inflows of Resources</i>	<i>13,556,255</i>	<i>10,951,678</i>	<i>(2,604,577)</i>
Net Position			
Net Investment in Capital Assets	36,091,504	37,651,121	(1,559,617)
Restricted for:			
Capital Projects	4,177	0	4,177
Debt Service	2,155,474	1,995,562	159,912
Unclaimed Monies	18,933	18,833	100
Other Purposes	729,944	836,157	(106,213)
Unrestricted (Deficit)	(27,781,419)	(31,687,778)	3,906,359
<i>Total Net Position</i>	<i>\$11,218,613</i>	<i>\$8,813,895</i>	<i>\$2,404,718</i>

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Current assets increased primarily due to an increase in cash and cash equivalents due to a reduction of expenses as management enacts cost cutting measures. The decrease in capital assets was due to depreciation outpacing current year additions of technology upgrades for the School District.

Current liabilities increased due primarily to increases in accrued wages and benefits payable due to the timing of pay periods, offset by a decrease in claims payable as a result of savings realized in part from switching the third party administrator of the School District's self-insurance program. Long-term liabilities decreased which can be attributed to decreases in the net pension and net OPEB liability attributed to the School District as well as reductions in debt obligations due to the continued pay down of debt obligations.

Net position increased due primarily to changes in total effect of the net pension liability and net OPEB (asset) liability, increases in cash and cash equivalents and decreases in debt obligations, offset in part by a decrease in net capital assets.

Table 2 shows the changes in net position for fiscal year 2019 compared to 2018.

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 2
Changes in Net Position
Governmental Activities

	2019	Restated 2018	Change
Program Revenues			
Charges for Services and Sales	\$1,543,266	\$1,389,213	\$154,053
Operating Grants and Contributions	5,297,928	4,884,306	413,622
Capital Grants and Contributions	0	25,000	(25,000)
<i>Total Program Revenues</i>	<u>6,841,194</u>	<u>6,298,519</u>	<u>542,675</u>
General Revenues			
Property Taxes	8,313,387	7,827,394	485,993
Grants and Entitlements	17,821,950	18,202,986	(381,036)
Unrestricted Contributions	5,777	0	5,777
Investment Earnings	42,475	39,302	3,173
Miscellaneous	169,318	413,836	(244,518)
<i>Total General Revenues</i>	<u>26,352,907</u>	<u>26,483,518</u>	<u>(130,611)</u>
<i>Total Revenues</i>	<u>33,194,101</u>	<u>32,782,037</u>	<u>412,064</u>
Program Expenses			
Instruction:			
Regular	15,956,298	9,064,951	(6,891,347)
Special	3,761,628	2,865,599	(896,029)
Vocational	89,802	58,730	(31,072)
Student Intervention Services	818	0	(818)
Support Services			
Pupils	1,071,188	774,584	(296,604)
Instructional Staff	242,467	188,353	(54,114)
Board of Education	29,871	92,986	63,115
Administration	2,396,721	1,451,163	(945,558)
Fiscal	697,564	654,311	(43,253)
Business	103,483	153,659	50,176
Operation and Maintenance of Plant	2,340,973	2,377,481	36,508
Pupil Transportation	1,098,531	1,007,484	(91,047)
Central	315,138	347,521	32,383
Operation of Food Services	1,290,570	1,298,713	8,143
Operation of Non-Instructional Services	67,357	14,870	(52,487)
Extracurricular Activities	596,731	637,139	40,408
Interest and Fiscal Charges	730,243	741,463	11,220
<i>Total Program Expenses</i>	<u>30,789,383</u>	<u>21,729,007</u>	<u>(9,060,376)</u>
<i>Change in Net Position</i>	2,404,718	11,053,030	(8,648,312)
Net Position Beginning of Year	8,813,895	(2,239,135)	11,053,030
Net Position End of Year	<u>\$11,218,613</u>	<u>\$8,813,895</u>	<u>\$2,404,718</u>

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Program revenues increased for governmental activities in fiscal year 2019. Charges for sales and services increased primarily due to an increase in rental income from the School District utilizing unused space for additional revenue. Operating grants and contributions increased due to additional restricted grant monies received in fiscal year 2019 as the School District seeks out additional funding options. General revenues in total remained relatively consistent. Property taxes increased due to increases in delinquent amounts receivable per the County. Grants and entitlements decreased due to reductions in unrestricted grants from State Foundation.

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense decreased from \$3,425,370 in fiscal year 2017 to a negative pension expense of \$9,198,738 for fiscal year 2018. For fiscal year 2019, pension expense increased to \$2,455,108 closer to the 2017 pension expense amount.

Program expenses excluding amounts related to the net pension and net OPEB liabilities actually decreased due to reductions in cost cutting measures taken by the School District.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2019 compared to 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2019		Restated 2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$15,956,298	\$13,687,062	\$9,064,951	\$7,004,830
Special	3,761,628	1,366,273	2,865,599	748,436
Vocational	89,802	14,228	58,730	(10,807)
Student Intervention Services	818	774	0	0
Support Services:				
Pupils	1,071,188	987,267	774,584	599,425
Instructional Staff	242,467	56,643	188,353	(43,377)
Board of Education	29,871	29,871	92,986	92,986
Administration	2,396,721	2,078,545	1,451,163	1,253,556
Fiscal	697,564	697,221	654,311	654,311
Business	103,483	103,483	153,659	153,659
Operation and Maintenance of Plant	2,340,973	2,212,963	2,377,481	2,377,481
Pupil Transportation	1,098,531	1,096,183	1,007,484	917,458
Central	315,138	315,138	347,521	347,521
Operation of Food Services	1,290,570	129,005	1,298,713	192,615
Operation of Non-Instructional Services	67,357	67,357	14,870	(4,300)
Extracurricular Activities	596,731	375,933	637,139	405,231
Interest and Fiscal Charges	730,243	730,243	741,463	741,463
Total	\$30,789,383	\$23,948,189	\$21,729,007	\$15,430,488

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of instructional activities are supported through property taxes and other general revenues.

Financial Analysis of the Government's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance as expenditures continue to outpace revenues. The bond retirement fund had an increase in fund balance due to property tax collection revenues exceeding current year debt obligation payments.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

For the general fund, the final budget basis revenue estimate was higher than the original budget estimate. The change was attributed to increases in all revenues as current funding levels became more identifiable.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in estimates for instructional and support services expenditures as the School District's current year requirements became more apparent.

Capital Assets and Debt

Capital Assets

During fiscal year 2019, the School District's capital asset additions included a technology upgrade HCI system acquired through a capital lease purchasing agreement. For more information about the School District's capital assets, see Note 12 to the basic financial statements.

Debt

On June 11, 2009, the School District issued \$18,244,893 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$9,904,893, \$8,220,000 and \$120,000, respectively. The general obligation bonds were issued for the purpose of providing funding for the construction of a new high school building and a new elementary school building

On July 13, 2010, the School District issued \$3,535,000 in general obligation bonds to advance refund the callable portion of the 2001 school improvement bonds. The general obligation bonds included serial and capital appreciation (deep discount) bonds in the amount of \$3,445,000 and \$90,000, respectively.

On June 20, 2017, the School District issued \$14,700,000 in general obligation bonds to advance refund the callable portion of the 2009 school facilities improvement bonds. The general obligation bonds included serial and term bonds in the amount of \$9,830,000 and \$4,870,000, respectively.

On April 14, 2005, the School District issued energy conservation notes in the amount of \$1,979,900. These notes carry an interest rate of 4.35 percent and fully mature on March 15, 2020.

In fiscal year 2019, the School District entered into a capital lease obligation for the purchase of technology hardware and software. The lease includes interest at a rate of 5.78 percent and will mature on January 1, 2023.

The School District's overall debt margin was \$5,593,676 with an unvoted debt margin of \$220,340 at June 30, 2019. For more information about the School District's long-term obligations, see Note 15 to the basic financial statements.

Current Related Financial Activities

On February 26, 2019, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(3). Many factors have contributed to the School District's financial condition including significant reductions in State revenues, phase-out of the tangible personal property tax and increasing health care costs.

Niles City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

The School District strives to maintain the highest standards of services to our students, parents and community. As with all school districts in the State of Ohio, State funding issues are constantly monitored to determine the impact on the School District. As the preceding information shows, the School District is heavily reliant on property taxes and State aid to provide the funds necessary to maintain its educational programs.

The School District remains dedicated to fiscal responsibility. The Board of Education and Administration continue to carefully plan in order to provide the resources and education required to meet student needs over the next several years.

Contacting the School District's Financial Management Personnel

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

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Niles City School District*Statement of Net Position**June 30, 2019*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,934,973
Accounts Receivable	466
Intergovernmental Receivable	667,951
Materials and Supplies Inventory	2,321
Inventory Held for Resale	4,533
Property Taxes Receivable	9,946,383
Non-depreciable Capital Assets	655,575
Depreciable Capital Assets, Net	52,313,247
Net OPEB Asset (See Note 14)	1,593,943
<i>Total Assets</i>	<u>70,119,392</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	831,636
Pension	7,378,882
OPEB	323,004
<i>Total Deferred Outflows of Resources</i>	<u>8,533,522</u>
Liabilities	
Accounts Payable	137,797
Contracts Payable	14,799
Accrued Wages and Benefits Payable	2,919,389
Intergovernmental Payable	861,904
Matured Compensated Absences Payable	121,200
Special Termination Benefits Payable	42,000
Accrued Interest Payable	54,000
Claims Payable	249,923
Long-Term Liabilities:	
Due Within One Year	1,220,832
Due In More Than One Year:	
Net Pension Liability (See Note 13)	26,960,857
Net OPEB Liability (See Note 14)	2,542,655
Other Amounts	18,752,690
<i>Total Liabilities</i>	<u>53,878,046</u>
Deferred Inflows of Resources	
Property Taxes	8,211,799
Pension	2,338,130
OPEB	3,006,326
<i>Total Deferred Inflows of Resources</i>	<u>13,556,255</u>
Net Position	
Net Investment in Capital Assets	36,091,504
Restricted for:	
Capital Outlay	4,177
Debt Service	2,155,474
Unclaimed Monies	18,933
Other Purposes	729,944
Unrestricted (Deficit)	(27,781,419)
<i>Total Net Position</i>	<u><u>\$11,218,613</u></u>

See accompanying notes to the basic financial statements

Niles City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	\$15,956,298	\$795,951	\$1,473,285	(\$13,687,062)
Special	3,761,628	208,941	2,186,414	(1,366,273)
Vocational	89,802	5,721	69,853	(14,228)
Student Intervention	818	44	0	(774)
Support Services:				
Pupil	1,071,188	0	83,921	(987,267)
Instructional Staff	242,467	0	185,824	(56,643)
Board of Education	29,871	0	0	(29,871)
Administration	2,396,721	0	318,176	(2,078,545)
Fiscal	697,564	0	343	(697,221)
Business	103,483	0	0	(103,483)
Operation and Maintenance of Plant	2,340,973	109,468	18,542	(2,212,963)
Pupil Transportation	1,098,531	0	2,348	(1,096,183)
Central	315,138	0	0	(315,138)
Operation of Non-Instructional Services:				
Food Service Operations	1,290,570	213,168	948,397	(129,005)
Other Non-Instructional Services	67,357	0	0	(67,357)
Extracurricular Activities	596,731	209,973	10,825	(375,933)
Interest and Fiscal Charges	730,243	0	0	(730,243)
<i>Totals</i>	\$30,789,383	\$1,543,266	\$5,297,928	(23,948,189)
General Revenues				
Property Taxes Levied for:				
General Purposes				6,495,236
Debt Service				1,630,018
Other Purposes				188,133
Grants and Entitlements not Restricted to Specific Programs				17,821,950
Unrestricted Contributions				5,777
Investment Earnings				42,475
Miscellaneous				169,318
<i>Total General Revenues</i>				26,352,907
Change in Net Position				2,404,718
<i>Net Position Beginning of Year - Restated (See Note 25)</i>				8,813,895
<i>Net Position End of Year</i>				\$11,218,613

See accompanying notes to the basic financial statements

Niles City School District

Balance Sheet

Governmental Funds

June 30, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$773,091	\$1,917,625	\$720,626	\$3,411,342
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	18,933	0	0	18,933
Accounts Receivable	466	0	0	466
Intergovernmental Receivable	298,133	0	369,818	667,951
Materials and Supplies Inventory	0	0	2,321	2,321
Inventory Held for Resale	0	0	4,533	4,533
Interfund Receivable	4,026	0	0	4,026
Property Taxes Receivable	8,057,459	1,666,995	221,929	9,946,383
<i>Total Assets</i>	<u>\$9,152,108</u>	<u>\$3,584,620</u>	<u>\$1,319,227</u>	<u>\$14,055,955</u>
Liabilities				
Accounts Payable	\$26,836	\$0	\$110,961	\$137,797
Contracts Payable	14,799	0	0	14,799
Accrued Wages and Benefits Payable	2,583,113	0	336,276	2,919,389
Intergovernmental Payable	805,479	0	56,425	861,904
Matured Compensated Absences Payable	112,972	0	8,228	121,200
Interfund Payable	0	0	4,026	4,026
<i>Total Liabilities</i>	<u>3,543,199</u>	<u>0</u>	<u>515,916</u>	<u>4,059,115</u>
Deferred Inflows of Resources				
Property Taxes	6,653,303	1,375,146	183,350	8,211,799
Unavailable Revenue	1,598,013	286,396	279,005	2,163,414
<i>Total Deferred Inflows of Resources</i>	<u>8,251,316</u>	<u>1,661,542</u>	<u>462,355</u>	<u>10,375,213</u>
Fund Balances				
Nonspendable	18,933	0	2,321	21,254
Restricted	0	1,923,078	601,267	2,524,345
Unassigned (Deficit)	(2,661,340)	0	(262,632)	(2,923,972)
<i>Total Fund Balances (Deficit)</i>	<u>(2,642,407)</u>	<u>1,923,078</u>	<u>340,956</u>	<u>(378,373)</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$9,152,108</u>	<u>\$3,584,620</u>	<u>\$1,319,227</u>	<u>\$14,055,955</u>

See accompanying notes to the basic financial statements

Niles City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2019*

Total Governmental Fund Balances	(\$378,373)
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	52,968,822
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	1,702,173
Intergovernmental	386,649
Tuition and Fees	<u>74,592</u>
Total	2,163,414
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.	1,254,775
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(54,000)
The net pension liability and net OPEB liability(asset) are not due and payable in the current period; therefore, the liability(asset) and related deferred inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	1,593,943
Deferred Outflows - Pension	7,378,882
Deferred Outflows - OPEB	323,004
Net Pension Liability	(26,960,857)
Net OPEB Liability	(2,542,655)
Deferred Inflows - Pension	(2,338,130)
Deferred Inflows - OPEB	<u>(3,006,326)</u>
Total	(25,552,139)
Special termination benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(42,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(18,254,487)
Energy Conservation Note	(131,900)
Capital Lease Payable	(250,705)
Compensated Absences	(1,336,430)
Deferred Charge on Refunding	<u>831,636</u>
Total	<u>(19,141,886)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$11,218,613</u></u>

See accompanying notes to the basic financial statements

Niles City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,401,698	\$1,608,430	\$183,232	\$8,193,360
Intergovernmental	19,409,345	241,891	3,193,711	22,844,947
Interest	39,611	0	0	39,611
Tuition and Fees	936,065	0	0	936,065
Extracurricular Activities	90,023	0	119,950	209,973
Contributions and Donations	5,777	0	10,825	16,602
Charges for Services	0	0	213,168	213,168
Rentals	109,468	0	0	109,468
Miscellaneous	99,103	0	70,215	169,318
<i>Total Revenues</i>	<u>27,091,090</u>	<u>1,850,321</u>	<u>3,791,101</u>	<u>32,732,512</u>
Expenditures				
Current:				
Instruction:				
Regular	14,537,904	0	1,486,969	16,024,873
Special	3,871,527	0	236,384	4,107,911
Vocational	106,346	0	0	106,346
Student Intervention	818	0	0	818
Support Services:				
Pupil	1,215,369	0	61,592	1,276,961
Instructional Staff	228,030	0	125,618	353,648
Board of Education	27,499	0	400	27,899
Administration	2,099,528	0	443,354	2,542,882
Fiscal	715,751	29,016	3,846	748,613
Business	106,888	0	331	107,219
Operation and Maintenance of Plant	2,127,182	0	200,327	2,327,509
Pupil Transportation	1,034,727	0	1,936	1,036,663
Central	330,275	0	0	330,275
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,320,964	1,320,964
Other Non-Instructional Services	1,032	0	5,207	6,239
Extracurricular Activities	382,698	0	161,268	543,966
Capital Outlay	305,072	0	32,733	337,805
Debt Service:				
Principal Retirement	87,739	937,000	0	1,024,739
Interest and Fiscal Charges	18,493	651,981	0	670,474
Capital Appreciation Bond Accretion	0	40,000	0	40,000
<i>Total Expenditures</i>	<u>27,196,878</u>	<u>1,657,997</u>	<u>4,080,929</u>	<u>32,935,804</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(105,788)</u>	<u>192,324</u>	<u>(289,828)</u>	<u>(203,292)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	305,072	0	0	305,072
Transfers In	0	0	299,695	299,695
Transfers Out	(299,695)	0	0	(299,695)
<i>Total Other Financing Sources (Uses)</i>	<u>5,377</u>	<u>0</u>	<u>299,695</u>	<u>305,072</u>
<i>Net Change in Fund Balances</i>	<u>(100,411)</u>	<u>192,324</u>	<u>9,867</u>	<u>101,780</u>
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 25)</i>	<u>(2,541,996)</u>	<u>1,730,754</u>	<u>331,089</u>	<u>(480,153)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$2,642,407)</u></u>	<u><u>\$1,923,078</u></u>	<u><u>\$340,956</u></u>	<u><u>(\$378,373)</u></u>

See accompanying notes to the basic financial statements

Niles City School District
*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, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$101,780
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:	
Capital Asset Additions	305,072
Current Year Depreciation	<u>(2,249,643)</u>
Total	(1,944,571)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property Taxes	120,027
Intergovernmental	264,106
Tuition and Fees	<u>74,592</u>
Total	458,725
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Principal Retirement	1,024,739
Capital Appreciation Bond Accretion	<u>40,000</u>
Total	1,064,739
Other financing sources, such as inception of capital lease, in the governmental funds increase long-term liabilities in the statement of net position.	
	(305,072)
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	27,700
Accretion on Capital Appreciation Bonds	(127,647)
Amortization of Bond Premium	100,674
Amortization of Deferred Charge on Refunding	<u>(60,496)</u>
Total	(59,769)
The internal service fund used by management to charge the costs of insurance to individual funds is 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.	
	342,565
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:	
Pension	2,085,956
OPEB	<u>71,549</u>
Total	2,157,505
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB contra-expense in the statement of activities:	
Pension	(2,455,108)
OPEB	<u>3,301,575</u>
Total	846,467
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.	
Compensated Absences	(215,651)
Special Termination Benefits Payable	<u>(42,000)</u>
Total	<u>(257,651)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$2,404,718</u></u>

See accompanying notes to the basic financial statements

Niles City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$6,323,927	\$6,546,897	\$6,487,979	(\$58,918)
Intergovernmental	18,690,433	19,349,423	19,331,306	(18,117)
Interest	38,610	39,971	39,611	(360)
Tuition and Fees	910,272	942,367	933,886	(8,481)
Extracurricular Activities	56,289	58,274	57,750	(524)
Rentals	106,700	110,462	109,468	(994)
Miscellaneous	56,610	58,606	145,112	86,506
<i>Total Revenues</i>	<u>26,182,841</u>	<u>27,106,000</u>	<u>27,105,112</u>	<u>(888)</u>
Expenditures				
Current:				
Instruction:				
Regular	13,722,634	14,107,215	14,094,920	12,295
Special	3,567,332	3,666,874	3,666,874	0
Vocational	106,477	109,448	109,448	0
Student Intervention	796	818	818	0
Support Services:				
Pupils	1,108,527	1,139,459	1,139,459	0
Instructional Staff	246,793	253,679	217,593	36,086
Board of Education	28,609	29,407	27,526	1,881
Administration	2,093,283	2,151,216	2,134,085	17,131
Fiscal	870,713	894,995	763,612	131,383
Business	106,061	109,012	108,705	307
Operation and Maintenance of Plant	2,110,533	2,169,194	2,027,028	142,166
Pupil Transportation	1,247,609	1,282,890	1,048,105	234,785
Central	379,869	390,464	376,201	14,263
Operation of Non-Instructional Services	8,490	8,700	7,750	950
Extracurricular Activities	405,837	417,161	397,037	20,124
Debt Service:				
Principal Retirement	87,739	87,739	87,739	0
Interest and Fiscal Charges	18,493	18,493	18,493	0
<i>Total Expenditures</i>	<u>26,109,795</u>	<u>26,836,764</u>	<u>26,225,393</u>	<u>611,371</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	73,046	269,236	879,719	610,483
Other Financing Sources (Uses)				
Transfers Out	0	0	(300,496)	(300,496)
<i>Net Change in Fund Balance</i>	73,046	269,236	579,223	309,987
<i>Fund Deficit Beginning of Year</i>	(97,591)	(97,591)	(97,591)	0
Prior Year Encumbrances Appropriated	57,206	57,206	57,206	0
<i>Fund Balance End of Year</i>	<u>\$32,661</u>	<u>\$228,851</u>	<u>\$538,838</u>	<u>\$309,987</u>

See accompanying notes to the basic financial statements

Niles City School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,504,698
Liabilities	
Claims Payable	<u>249,923</u>
Net Position	
Unrestricted	<u><u>\$1,254,775</u></u>

See accompanying notes to the basic financial statements

Niles City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2019*

	Internal Service
Operating Revenues	
Charges for Services	\$4,934,472
Operating Expenses	
Purchased Services	721,672
Claims	3,873,099
<i>Total Operating Expenses</i>	4,594,771
<i>Operating Income (Loss)</i>	339,701
Non-Operating Revenues	
Interest	2,864
<i>Change in Net Position</i>	342,565
<i>Net Position Beginning of Year</i>	912,210
<i>Net Position End of Year</i>	\$1,254,775

See accompanying notes to the basic financial statements

Niles City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Internal Service
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$4,934,472
Cash Payments for Goods and Services	(721,672)
Cash Payments for Claims	(4,162,802)
<i>Net Cash Provided by (Used for) Operating Activities</i>	49,998
Cash Flows from Noncapital Financing Activities	
Cash Repaid from Other Funds	242,951
Cash Flows from Investing Activities	
Interest on Investments	2,864
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	295,813
<i>Cash and Cash Equivalents Beginning of Year</i>	1,208,885
<i>Cash and Cash Equivalents End of Year</i>	\$1,504,698
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$339,701
Adjustments:	
Increase (Decrease) in Liabilities:	
Claims Payable	(289,703)
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$49,998
See accompanying notes to the basic financial statements	

Niles City School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$203,913	\$46,253
Liabilities		
Due to Students	0	\$46,253
Net Position		
Held in Trust for Scholarships	\$203,913	

See accompanying notes to the basic financial statements

Niles City School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2019

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$2,104
Deductions	
Scholarships Awarded	<u>64,500</u>
<i>Change in Net Position</i>	(62,396)
<i>Net Position Beginning of Year</i>	<u>266,309</u>
<i>Net Position End of Year</i>	<u><u>\$203,913</u></u>

See accompanying notes to the basic financial statements

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Description of the School District

Niles City School District (the School District) operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's instructional and support facilities which are staffed by 181 certified employees and 86 classified employees who provide services to students and other community members.

The School District is located in Niles, Ohio, Trumbull County, including an area extending roughly eight square miles around the City. The enrollment for the School District during the 2019 fiscal year was 2,190. The School District operates one primary (K-2) school, one intermediate (grades 3-5) school, one middle school and one high school.

On February 26, 2019, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(3). In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Mayor of Niles. Once the plan is adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The Financial Recovery Plan was adopted on July 29, 2019. Under State law, the School District must annually update its financial recovery plan. The recovery plan included reductions in staff and utilization of the K-12 Student Wellness and Success Funding. See Note 24 for more information on the School District's fiscal emergency status.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District has no component units.

The School District is associated with one jointly governed organization, one related organization and one public entity risk pool. These organizations are the Northeast Ohio Management Information Network (NEOMIN), McKinley Memorial Library and the Workers' Compensation Group Rating Program. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Bond Retirement Fund The bond retirement fund is used to account for and report property tax revenues restricted for payment of principal and interest and fiscal charges on general obligation debt.

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

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

Internal Service Funds Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District utilizes an internal service fund to account for self-insured health insurance claims.

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

Measurement Focus

Government-wide Financial Statements 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 School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 the fund is included on the statement of fund net position. The statement of changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust funds are accounted for using the economic resources measurement focus.

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

In addition to liabilities, the statements of financial position 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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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

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

Budgetary Data

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

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

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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Cash and Cash Equivalents

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

During fiscal year 2019, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 School 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 an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$39,611, of which \$33,123 was assigned from other School District funds.

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

Inventory

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

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include resources restricted for unclaimed monies.

Capital Assets

All capital assets of the School District are general capital assets. 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.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e. estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Interfund Balances

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

Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

Pensions/Other Postemployment Benefits (OPEB)

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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, special termination benefits and capital leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Internal Activity

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

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Net Position

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

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

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are reported in the year the bonds are issued.

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 debt using the straight-line method and is presented as deferred outflows of resources on the statement of net position.

Estimates

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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Operating Revenues and Expenses

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

Note 3 – Accountability and Compliance

Accountability

The following funds had deficit fund balances as of June 30, 2019:

<i>Major Fund:</i>	
General Fund	\$2,642,407
<i>Other Governmental Funds:</i>	
Food Service	69,006
Title I	97,259
Improving Teacher Quality	2,469
Miscellaneous Federal Grants	91,577

The general fund concluded fiscal year 2019 with a deficit fund balance of \$2,642,407. The School District has experienced a financial short fall which has resulted in deficit spending in the general fund. To alleviate the financial shortfall, the School District has developed a strategy to stabilize its cash shortfall. See Note 24 for further information.

The deficits in the special revenue funds were caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for these deficits and provides transfers when cash is required, not when accruals occur.

Compliance

The School District had negative cash balances of \$2,469 and \$1,557 in the improving teacher quality and miscellaneous federal grants special revenue funds, respectively, indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10.

Contrary to Ohio Revised Code Section 5705.10(I), the District had negative cash fund balances in the Lunchroom and Title I funds at the end of November (2018) of \$382,875 and \$312,437, respectively. The District did not have sufficient pending payment requests with the State for the aforementioned negative fund balances and/or the General Fund was not enough to cover the other funds' deficits.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Budgetary Basis of Accounting

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Budgetary revenues and expenditures of the uniform school supplies, public school support and workers' compensation funds are classified to the general fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$100,411)
Revenue Accruals	7,555
Expenditure Accruals	743,040
Perspective Difference:	
Uniform School Supplies	(1,314)
Public School Support	1,155
Workers' Compensation	(70,802)
Budget Basis	\$579,223

Note 5 – Fund Balances

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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Materials and Supplies Inventory	\$0		\$2,321	\$2,321
Unclaimed Monies	18,933	0	0	18,933
<i>Total Nonspendable</i>	18,933	0	2,321	21,254
<i>Restricted for</i>				
Community Programs	0	0	22,116	22,116
Classroom Facilities Maintenance	0	0	478,330	478,330
Athletics	0	0	39,138	39,138
Special Education Programs	0	0	28,896	28,896
Preschool Programs	0	0	20	20
Professional Development	0	0	28,590	28,590
Debt Service Payments	0	1,923,078	0	1,923,078
Capital Improvements	0	0	4,177	4,177
<i>Total Restricted</i>	0	1,923,078	601,267	2,524,345
<i>Unassigned (Deficit)</i>	(2,661,340)	0	(262,632)	(2,923,972)
<i>Total Fund Balances (Deficit)</i>	(\$2,642,407)	\$1,923,078	\$340,956	(\$378,373)

Note 6 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio), and;
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the 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.

Investments

As of June 30, 2019, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$1,922,254 which is measured at net asset value per share. The average maturity is 53.3 days.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property 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 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected in 2019 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2019, was \$26,237 in the general fund, \$5,453 in the bond retirement debt service fund and \$721 in the classroom facilities special revenue fund. The amount available as an advance at June 30, 2018, was \$112,518 in the general fund, \$23,199 in the bond retirement debt service fund and \$2,887 in the classroom facilities special revenue fund.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$219,087,860	98.54%	\$217,386,310	98.66%
Public Utility Personal	3,239,430	1.46	2,953,670	1.34
Total	<u>\$222,327,290</u>	<u>100.00%</u>	<u>\$220,339,980</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$56.55		\$56.70	

Note 8 - Receivables

Receivables at June 30, 2019, consisted of taxes, accounts, interfund and intergovernmental grants. 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. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Miscellaneous Federal Grants	\$162,380
IDEA-B Special Education Grant	114,110
State Foundation Adjustment	98,439
Title I Grant	85,307
SERS Overpayment Refund	76,939
Bureau of Workers Compensation Refund	68,563
Medicaid Reimbursement	53,616
Improving Teacher Quality	6,221
Cafeteria Grant	1,800
Mentoring Compensation Reimbursement	576
Total	<u>\$667,951</u>

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 have been finalized and were determined to be insignificant.

Litigation

The School District is not party to legal proceedings.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2019, the School District contracted with The Griffith Agency, Inc. for the following:

Type of Coverage	Coverage
Building and Personal Property (\$5,000 deductible)	\$98,666,138
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	5,000,000
Total Aggregate per Year	6,000,000
Automobile Liability Combine Single Limits	5,000,000
Non-Owned Liability	5,000,000
Hired Liability	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there was no reduction in insurance coverage from last year.

Employee Health Benefits

The School District is self-insured for medical, prescription drug, dental and vision insurance. Aetna administers the medical insurance, prescription drug, and dental for all certified and non-certified employees and administrators. Vision plan is administered by Eye Med for all certified and non-certified employees and administrators. Specific stop-loss coverage has been purchased at \$100,000 for each employee. The administrators review all claims which are paid by the School District.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The claims liability of \$249,923 reported in the internal service fund at June 30, 2019 is based on estimates provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in total claims liability during fiscal years 2018 and 2019 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	\$489,139	\$5,024,440	\$4,973,953	\$539,626
2019	539,626	3,873,099	4,162,802	249,923

Worker's Compensation

For fiscal year 2019, the School District participated in the Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Benefit Management Inc. provides administration, cost control, and actuarial services to the GRP.

Note 11 - Other Employee Benefits

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 upon length of service. Accumulated, unused vacation is paid administrators upon termination of employment. Teachers do not earn vacation.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certified and classified employees with eight or more consecutive years of service are eligible to receive severance. Certified and classified employees receive payment for thirty-five percent of their unused sick days, up to a maximum of seventy days, times the employee's daily rate. All unused accumulated sick days in excess of 200 days up to the maximum allowable are paid out at a rate of \$50 per day for certified and \$40 per day for classified.

Life Insurance Benefits

The School District provides all full-time employees with term life insurance of \$45,000 through American United Life. Premiums are paid by the School District. Part-time employees do not receive term life insurance benefits.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Retirement Incentive

The School District's Board of Education offered employees participation in a special termination benefit of \$7,000 in fiscal year 2019. Participation was open to all employees who were eligible for service retirement under the State Teachers Retirement System (STRS) as of the end of the fiscal 2019 school year. In fiscal year 2019, 6 employees took the one time retirement incentive equating to \$42,000 to be paid in fiscal year 2020.

Note 12 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

Governmental Activities	Balance 6/30/2018	Additions	Deductions	Balance 6/30/2019
Capital Assets not being Depreciated:				
Land	\$655,575	\$0	\$0	\$655,575
Capital Assets being Depreciated:				
Land Improvements	4,073,194	0	0	4,073,194
Buildings and Improvements	62,609,586	0	0	62,609,586
Furniture, Fixtures and Equipment	4,700,074	305,072	0	5,005,146
Vehicles	1,100,203	0	0	1,100,203
Total Capital Assets being Depreciated	72,483,057	305,072	0	72,788,129
Less Accumulated Depreciation:				
Land Improvements	(1,435,608)	(196,192)	0	(1,631,800)
Buildings and Improvements	(13,268,138)	(1,700,752)	0	(14,968,890)
Furniture, Fixtures and Equipment	(2,659,738)	(308,019)	0	(2,967,757)
Vehicles	(861,755)	(44,680)	0	(906,435)
Total Accumulated Depreciation	(18,225,239)	(2,249,643) *	0	(20,474,882)
Total Assets being Depreciated, Net	54,257,818	(1,944,571)	0	52,313,247
Governmental Activities Capital Assets, Net	\$54,913,393	(\$1,944,571)	\$0	\$52,968,822

*Depreciation expense was charged to governmental activities as follows:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Instruction:	
Regular	\$1,950,630
Special	413
Support Services:	
Pupil	1,216
Instructional Staff	40,299
Board of Education	1,972
Administration	22,797
Fiscal	269
Operation and Maintenance of Plant	35,773
Pupil Transportation	73,560
Operation of Non-Instructional Services	61,118
Food Service Operations	7,474
Extracurricular Activities	54,122
Total Depreciation Expense	\$2,249,643

Note 13 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. 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 by visiting the 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 years 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$427,083 for fiscal year 2019. Of this amount \$39,700 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,658,873 for fiscal year 2019. Of this amount \$275,559 is reported as an intergovernmental payable.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.09774970%	0.09852662%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.08992850%</u>	<u>0.09919378%</u>	
Change in Proportionate Share	<u><u>-0.00782120%</u></u>	<u><u>0.00066716%</u></u>	
Proportionate Share of the Net Pension Liability	\$5,150,372	\$21,810,485	\$26,960,857
Pension Expense	\$244,971	\$2,210,137	\$2,455,108

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$282,466	\$503,452	\$785,918
Changes of assumptions	116,306	3,865,229	3,981,535
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	17,421	508,052	525,473
School District contributions subsequent to the measurement date	<u>427,083</u>	<u>1,658,873</u>	<u>2,085,956</u>
Total Deferred Outflows of Resources	<u>\$843,276</u>	<u>\$6,535,606</u>	<u>\$7,378,882</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$142,435	\$142,435
Net difference between projected and actual earnings on pension plan investments	142,702	1,322,563	1,465,265
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>316,353</u>	<u>414,077</u>	<u>730,430</u>
Total Deferred Inflows of Resources	<u>\$459,055</u>	<u>\$1,879,075</u>	<u>\$2,338,130</u>

\$2,085,956 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$191,443	\$1,941,781	\$2,133,224
2021	(21,518)	1,315,319	1,293,801
2022	(169,021)	7,089	(161,932)
2023	<u>(43,766)</u>	<u>(266,531)</u>	<u>(310,297)</u>
Total	<u>(\$42,862)</u>	<u>\$2,997,658</u>	<u>\$2,954,796</u>

Actuarial Assumptions - SERS

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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$7,254,687	\$5,150,372	\$3,386,044

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with 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. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$31,851,342	\$21,810,485	\$13,312,262

Note 14 - Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the School District's surcharge obligation was \$55,731.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$71,549 for fiscal year 2019. Of this amount \$57,201 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.09922920%	0.09852662%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	0.09165130%	0.09919378%	
Change in Proportionate Share	-0.00757790%	0.00066716%	
Proportionate Share of the:			
Net OPEB Liability	\$2,542,655	\$0	\$2,542,655
Net OPEB (Asset)	\$0	(\$1,593,943)	(\$1,593,943)
OPEB Expense	\$63,393	(\$3,364,968)	(\$3,301,575)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$41,505	\$186,175	\$227,680
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	23,775	23,775
School District contributions subsequent to the measurement date	71,549	0	71,549
Total Deferred Outflows of Resources	<u>\$113,054</u>	<u>\$209,950</u>	<u>\$323,004</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$92,868	\$92,868
Changes of assumptions	228,438	2,171,872	2,400,310
Net difference between projected and actual earnings on OPEB plan investments	3,814	182,095	185,909
Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions	238,945	88,294	327,239
Total Deferred Inflows of Resources	<u>\$471,197</u>	<u>\$2,535,129</u>	<u>\$3,006,326</u>

\$71,549 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	(\$148,153)	(\$418,442)	(\$566,595)
2021	(123,938)	(418,442)	(542,380)
2022	(47,257)	(418,443)	(465,700)
2023	(45,633)	(377,088)	(422,721)
2024	(45,897)	(362,576)	(408,473)
Thereafter	(18,814)	(330,188)	(349,002)
Total	<u>(\$429,692)</u>	<u>(\$2,325,179)</u>	<u>(\$2,754,871)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$3,085,312	\$2,542,655	\$2,112,972

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$2,051,456	\$2,542,655	\$3,193,090

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,366,158)	(\$1,593,943)	(\$1,785,385)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,774,578)	(\$1,593,943)	(\$1,410,494)

Note 15 - Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2009 School Facilities Improvement Bonds:			
Capital Appreciation Bonds	9.15% to 23.54%	\$120,000	2018 to 2021
2010 Refunding General Obligation Bonds:			
Serial Bonds	2.00% to 4.00%	3,445,000	2011 to 2023
Capital Appreciation Bonds	17.90%	90,000	2020
2017 Refunding Improvement Bonds:			
Serial Bonds	3.00% to 5.00%	9,830,000	2021 to 2033
Term Bonds	2.00% to 5.00%	4,870,000	2018 to 2037
Energy Conservation Note	4.35%	1,979,900	2020

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	Principal Outstanding 6/30/18	Additions	Deductions	Principal Outstanding 6/30/19	Amounts Due in One Year
General Obligation Bonds					
2009 School Facilities Improvement Bonds					
Serial Bonds	\$340,000	\$0	(\$340,000)	\$0	\$0
Capital Appreciation Bonds	95,000	0	(30,000)	65,000	35,000
Accretion on Capital Appreciation Bonds	582,552	62,624	(40,000)	605,176	309,524
Premium	7,242	0	(7,242)	0	0
Total 2009 School Facilities Improvement Bonds	1,024,794	62,624	(417,242)	670,176	344,524
2010 Refunding General Obligation Bonds					
Serial Bonds	1,750,000	0	(425,000)	1,325,000	0
Capital Appreciation Bonds	90,000	0	0	90,000	90,000
Accretion on Capital Appreciation Bonds	257,939	65,023	0	322,962	322,962
Premium	33,358	0	(23,520)	9,838	0
Total 2010 Refunding General Obligation Bonds	2,131,297	65,023	(448,520)	1,747,800	412,962
2017 Refunding Improvement Bonds					
Serial Bonds	9,830,000	0	0	9,830,000	0
Term Bonds	4,860,000	0	(10,000)	4,850,000	80,000
Premium	1,226,423	0	(69,912)	1,156,511	0
Total 2017 Refunding Improvement Bonds	15,916,423	0	(79,912)	15,836,511	80,000
Total General Obligation Bonds	19,072,514	127,647	(945,674)	18,254,487	837,486
Other Long-Term Obligations					
Net Pension Liability					
STRS	23,405,210	0	(1,594,725)	21,810,485	0
SERS	5,840,329	0	(689,957)	5,150,372	0
Total Net Pension Liability	29,245,539	0	(2,284,682)	26,960,857	0
Net OPEB Liability					
STRS	3,844,145	0	(3,844,145)	0	0
SERS	2,663,051	0	(120,396)	2,542,655	0
Total Net OPEB Liability	6,507,196	0	(3,964,541)	2,542,655	0
Energy Conservation Note	263,900	0	(132,000)	131,900	131,900
Capital Leases Payable	33,372	305,072	(87,739)	250,705	57,504
Compensated Absences	1,120,779	338,336	(122,685)	1,336,430	193,942
Total Other Long-Term Obligations	37,170,786	643,408	(6,591,647)	31,222,547	383,346
Total Governmental Activities					
Long-Term Liabilities	\$56,243,300	\$771,055	(\$7,537,321)	\$49,477,034	\$1,220,832

Compensated absences will be paid from the general fund and the food service, classroom facilities maintenance, title VI-B and Title I special revenue funds. Capital leases will be paid from the general fund. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund, food service, classroom facilities maintenance, title VI-B and title I funds. For additional information related to the net pension and net OPEB liabilities see Notes 13 and 14.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

On June 11, 2009, the School District issued \$18,244,893 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$9,904,893, \$8,220,000 and \$120,000, respectively. The general obligation bonds were issued for the purpose of providing funding for the construction of a new high school building and a new elementary school building. On June 20, 2017, the full amount of the term bonds and a portion of the serial bonds were retired by the School District through an advance refunding. The serial bonds were fully retired at June 30, 2019. The capital appreciation bonds mature December 1, 2019 and 2020. These bonds were purchased at a discount at the time of issuance and, at maturity, all compound interest (accretion) is paid and the bond holder collects the face value. The bonds will be retired from the debt service fund.

The maturity amount of outstanding capital appreciation bonds at June 30, 2019 is \$730,000. The accretion recorded for 2019 was \$62,624, for a total outstanding bond liability of \$670,176 at June 30, 2019.

On July 13, 2010, the School District issued \$3,535,000 in general obligation bonds to advance refund the callable portion of the 2001 school improvement bonds. The issuance included a premium of \$221,518 which is being amortized over the life of the debt. The general obligation bonds included serial and capital appreciation (deep discount) bonds in the amount of \$3,445,000 and \$90,000, respectively. The serial bonds mature at varying amounts annually on December 1, beginning in 2010 and ending in 2022. The capital appreciation bonds mature December 1, 2019. The capital appreciation bonds were purchased at a discount at the time of issuance and, at maturity, all compound interest (accretion) is paid and the bond holder collects the face value. The bonds will be retired from the debt service fund.

The maturity amount of outstanding capital appreciation bonds at June 30, 2019 is \$450,000. The accretion recorded for 2019 was \$65,023, for a total outstanding bond liability of \$412,962 at June 30, 2019.

On June 20, 2017, the School District issued \$14,700,000 in general obligation bonds to advance refund the callable portion of the 2009 school facilities improvement bonds. The issuance included a premium of \$1,294,850 which is being amortized over the life of the debt. The general obligation bonds included serial and term bonds in the amount of \$9,830,000 and \$4,870,000, respectively. The serial bonds mature at varying amounts annually on December 1, beginning in 2017 and ending in 2032. The term bonds mature on December 1, 2019, December 1, 2034 and December 1, 2036. The bonds will be retired from the debt service fund.

The term bonds maturing on December 1, 2019, 2034, 2036 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Fiscal Year	Issue		
	\$100,000	\$2,245,000	\$2,525,000
2018	\$10,000	\$0	\$0
2019	10,000	0	0
2034	0	1,100,000	0
2036	0	0	1,195,000
Total mandatory sinking fund payment	20,000	1,100,000	1,195,000
Amount due at stated maturity	80,000	1,145,000	1,330,000
Total	\$100,000	\$2,245,000	\$2,525,000
<i>State Maturity</i>	12/1/2019	12/1/2034	12/1/2036

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

On April 14, 2005, the School District issued energy conservation notes in the amount of \$1,979,900. These notes carry an interest rate of 4.35 percent and fully mature on March 15, 2020. The notes will be retired from the debt service fund.

In fiscal year 2019, the School District entered into a capital lease obligation for the purchase of technology upgrade hardware and software. The lease includes interest at a rate of 5.78 percent and will mature on January 1, 2023.

The School District's overall debt margin was \$5,593,676 with an unvoted debt margin of \$220,340 at June 30, 2019. Principal and interest requirements to retire general obligation bonds are as follows:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$80,000	\$200,012	\$0	\$427,000	\$125,000	\$685,000
2021	0	199,213	545,000	417,100	30,000	340,000
2022	0	199,213	1,010,000	389,650	0	0
2023	0	199,213	945,000	353,200	0	0
2024	0	199,213	595,000	322,400	0	0
2025-2029	0	996,064	3,955,000	1,180,000	0	0
2030-2034	1,100,000	978,185	4,105,000	322,450	0	0
2035-2037	3,670,000	274,481	0	0	0	0
Total	\$4,850,000	\$3,245,594	\$11,155,000	\$3,411,800	\$155,000	\$1,025,000

Note 16 – Capital Leases

In fiscal year 2019, the School District entered into a capital lease for technology upgrade equipment. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2019 follows:

	Amounts
Asset:	
Furniture, Fixtures and Equipment	\$305,072
Less: Accumulated Depreciation	(61,014)
Current Book Value	\$244,058

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Year ending June 30,	Capital Lease
2020	\$71,972
2021	71,972
2022	71,972
2023	71,973
Total Minimum Lease Payments	287,889
Less: Amount Representing Interest	(37,184)
Present Value of Minimum Lease Payments	\$250,705

Note 17 - Interfund Transactions

Interfund Transfers

The general fund transferred \$299,695 to the other governmental funds to provide funding for food service and athletic programs.

Interfund Balances

The general fund reported an interfund receivable at June 30, 2019 of \$4,026. The other governmental funds had an interfund payable of \$4,026 due to the timing of grant receipts. All advances are expected to be repaid within one year.

Note 18 - Jointly Governed Organization

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers 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 administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$35,394 to NEOMIN during fiscal year 2019.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The School District was not represented on the Governing Board during fiscal year 2019. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 19 – 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 School District for operational subsidies. Although the School 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 made solely by the Board of Trustees. Financial information can be obtained from the McKinley Memorial Library, Treasurer/Clerk, 40 North Main Street, Niles, Ohio, 44446.

Note 20 – Public Entity Risk Pool

Workers’ Compensation Group Rating Program The School 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 Program (GRP) has been established through Benefit Management, Inc. as a group purchasing pool. Each year, the participating entities pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 21 - Set-Aside Calculations

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2018	\$0
Current Year Set-Aside Requirement	416,242
Offsets	(217,919)
Qualifying Disbursements	(235,095)
Total	(\$36,772)
Set-Aside Balance as of June 30, 2019 and Carried Forward to Future Fiscal Years	\$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.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 22 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, other governmental funds had encumbrances in the amount of \$190.

Note 23 – Tax Abatements

For fiscal year 2019, the School District's property taxes were reduced by \$6,327 under enterprise zone agreements entered into by Trumbull County.

Note 24 – Financial Difficulties

On February 26, 2019, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(3). Many factors have contributed to the School District's financial condition including significant reductions in State revenues, phase-out of the tangible personal property tax and increasing health care costs. In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Mayor of Niles. Once the plan is adopted, the Board of Education's discretion is limited in that all financial activity of the School District must be in accordance with the plan.

The Financial Recovery Plan was adopted on July 29, 2019. Under State law, the School District must annually update its financial recovery plan. The recovery plan included reductions in staff and utilization of the K-12 Student Wellness and Success Funding.

Note 25 – Change in Accounting Principles and Restatement of Fund Balance/Net Position

Change in Accounting Principles

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Niles City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Restatement of Fund Balance/Net Position

For fiscal year 2019, special cost centers for Medicaid and workers' compensation rebates, previously reported as special revenue funds, were determined to be part of the general fund. Also in fiscal year 2019, the district tournament fund, previously reported as part of the general fund, was determined to be an agency fund. This restatement had the following effects on fund balance and net position as reported June 30, 2018.

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2018	(\$2,673,010)	\$1,730,754	\$473,801	(\$468,455)
Fund Reclassification	131,014	0	(142,712)	(11,698)
Adjusted Fund Balance at June 30, 2018	(\$2,541,996)	\$1,730,754	\$331,089	(\$480,153)

	Governmental Activities
Net Position at June 30, 2018	\$8,825,593
Fund Reclassification	(11,698)
Adjusted Net Position at June 30, 2018	\$8,813,895

The district tournament agency fund current assets and current liabilities were understated by \$11,698 at June 30, 2018. Due to the understatement, current assets and current liabilities for agency funds were restated from \$23,101 to the adjusted amount of \$34,799.

Note 26 – Subsequent Event

On November 5, 2019 the citizens of Niles passed a 10 year renewal of a 5.7 mill emergency levy.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 will impact subsequent periods of the School District. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. The investments of the pension and other employee benefit plans in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District future operating costs, revenues and any recovery from emergency funding, either federal or state, cannot be estimated.

Required Supplementary Information

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

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.08992850%	0.09774970%	0.09965500%
School District's Proportionate Share of the Net Pension Liability	\$5,150,372	\$5,840,329	\$7,293,826
School District's Covered Payroll	\$3,023,650	\$3,568,457	\$2,913,079
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.34%	163.67%	250.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2016	2015	2014
0.09763260%	0.10071700%	0.10071700%
\$5,571,011	\$5,097,230	\$5,989,317
\$3,927,223	\$3,026,131	\$3,237,045
141.86%	168.44%	185.02%
69.16%	71.70%	65.52%

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.09165130%	0.09922920%	0.10102280%
School District's Proportionate Share of the Net OPEB Liability	\$2,542,655	\$2,663,051	\$2,879,524
School District's Covered Payroll	\$3,023,650	\$3,568,457	\$2,913,079
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.09%	74.63%	98.85%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.09919378%	0.09852662%	0.10083797%
School District's Proportionate Share of the Net Pension Liability	\$21,810,485	\$23,405,210	\$33,753,508
School District's Covered Payroll	\$11,277,421	\$11,136,657	\$10,006,350
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.40%	210.16%	337.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2016	2015	2014
0.09676036%	0.09669263%	0.09669263%
\$26,741,733	\$23,518,994	\$28,015,672
\$10,582,471	\$10,298,908	\$10,441,984
252.70%	228.36%	268.30%
72.10%	74.70%	69.30%

Niles City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net OPEB Asset/Liability	0.09919378%	0.09852662%	0.10083797%
School District's Proportionate Share of the Net OPEB (Asset)/Liability	(\$1,593,943)	\$3,844,145	\$5,269,229
School District's Covered Payroll	\$11,277,421	\$11,136,657	\$10,006,350
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	-14.13%	34.52%	52.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Niles City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$427,083	\$408,193	\$499,584	\$407,831
Contributions in Relation to the Contractually Required Contribution	<u>(427,083)</u>	<u>(408,193)</u>	<u>(499,584)</u>	<u>(407,831)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$3,163,578	\$3,023,650	\$3,568,457	\$2,913,079
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	71,549	66,492	54,248	51,261
Contributions in Relation to the Contractually Required Contribution	<u>(71,549)</u>	<u>(66,492)</u>	<u>(54,248)</u>	<u>(51,261)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.26%</u>	<u>2.20%</u>	<u>1.52%</u>	<u>1.76%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.76%</u>	<u>15.70%</u>	<u>15.52%</u>	<u>15.76%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$517,608	\$419,422	\$424,686	\$462,185	\$419,006	\$429,312
<u>(517,608)</u>	<u>(419,422)</u>	<u>(424,686)</u>	<u>(462,185)</u>	<u>(419,006)</u>	<u>(429,312)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,927,223	\$3,026,131	\$3,068,545	\$3,436,322	\$3,333,381	\$3,170,694
<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>
79,657	78,258	73,645	93,928	125,545	87,865
<u>(79,657)</u>	<u>(78,258)</u>	<u>(73,645)</u>	<u>(93,928)</u>	<u>(125,545)</u>	<u>(87,865)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.03%</u>	<u>2.59%</u>	<u>2.40%</u>	<u>2.73%</u>	<u>3.77%</u>	<u>2.77%</u>
<u>15.21%</u>	<u>16.45%</u>	<u>16.24%</u>	<u>16.18%</u>	<u>16.34%</u>	<u>16.31%</u>

Niles City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability				
Contractually Required Contribution	\$1,658,873	\$1,578,839	\$1,559,132	\$1,400,889
Contributions in Relation to the Contractually Required Contribution	<u>(1,658,873)</u>	<u>(1,578,839)</u>	<u>(1,559,132)</u>	<u>(1,400,889)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$11,849,093	\$11,277,421	\$11,136,657	\$10,006,350
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$1,481,546	\$1,338,858	\$1,357,458	\$1,443,742	\$1,460,923	\$1,471,747
(1,481,546)	(1,338,858)	(1,357,458)	(1,443,742)	(1,460,923)	(1,471,747)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,582,471	\$10,298,908	\$10,441,984	\$11,105,705	\$11,237,869	\$11,321,131
<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$102,989	\$104,420	\$111,057	\$112,379	\$113,211
0	(102,989)	(104,420)	(111,057)	(112,379)	(113,211)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Niles City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2016 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Niles City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2016 and prior actuarial valuation, 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 no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Niles City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Changes in Benefit Terms – STRS OPEB

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster:		
Non-Cash Assistance:		
National School Lunch Program	10.555	\$89,504
Cash Assistance:		
School Breakfast Program	10.553	200,901
National School Lunch Program	10.555	<u>658,898</u>
Total U.S. Department of Agriculture/Nutrition Cluster		<u>949,303</u>
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,248,643
Special Education Cluster:		
Special Education Grants to States	84.027	421,822
Special Education Grants to States	84.027	166,498
Preschool	84.173	189
Total Special Education Cluster		<u>588,509</u>
Improving Teacher Quality State Grants	84.367	83,131
Striving Reader	84.371	158,323
Student Support and Academic Enrichment Program	84.424	<u>63,399</u>
Total U.S. Department of Education		<u>2,142,005</u>
Total Expenditures of Federal Awards		<u>\$3,091,308</u>

The accompanying notes are an integral part of this schedule.

**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Niles City School District (the District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 23, 2020, wherein we noted the District is experiencing certain financial difficulties and COVID-19 will have a financial impact on the District.

Internal Control Over Financial Reporting

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

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

District's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

April 23, 2020

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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 Each 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 each of Niles City School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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

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

Basis for Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies

As described in findings 2019-002 through 2019-003 and 2019-005 through 2019-007 in the accompanying schedule of findings, the Niles City School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2019-002	84.010	Title I Grants to Local Educational Agencies	Reporting
2019-003	10.553 and 10.555	Child Nutrition Cluster	Eligibility
2019-005	10.553 and 10.555	Child Nutrition Cluster	Procurement and Suspension and Debarment
2019-006	10.553 and 10.555	Child Nutrition Cluster	Cash Management
2019-007	10.553 and 10.555	Child Nutrition Cluster	Activities Allowed or Unallowed Allowable Costs / Cost Principles

Compliance with these requirements is necessary, in our opinion, for Niles City School District to comply with the requirements applicable to these programs.

Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Child Nutrition Cluster and Title I Grants to Local Educational Agencies* paragraph, Niles City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster and Title I Grant to Local Educational Agencies* for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2019-004. Our opinion on *each* major federal program is not modified with respect to this matter.

The District's responses to our noncompliance findings are described in the accompanying corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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's 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 a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2019-002 through 2019-007.

The District's response to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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



Keith Faber
Auditor of State

Columbus, Ohio

April 23, 2020

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**NILES CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

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)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(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	Qualified: Title I Reporting Nutrition Cluster Allowable activities/cost, Cash management, Eligibility, and Procurement and suspension & debarment
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list): CFDA #10.553 / 10.555 CFDA #84.010	Nutrition Cluster Title I
(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?	No

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

1. Negative Fund Balances

FINDING NUMBER 2019-001

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

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

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

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

We noted the Lunchroom and Title I funds had negative fund balances in November of \$382,875 and \$312,437, respectively. The District did not have sufficient pending payment requests with the State for the aforementioned negative fund balances and/or the General Fund was not enough to cover the other funds' deficits.

The District did not have a procedure(s) and/or control(s)(such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements) implemented to identify those funds that may potentially develop a negative balance.

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

Official's Response: See Corrected Action Plan.

3. FINDINGS FOR FEDERAL AWARDS

1. Title 1 – Reporting

Finding Number:	2019-002
CFDA Number and Title:	CFDA # 84.010 Title I
Federal Award Identification Number / Year:	2019
Federal Agency:	U.S. Department of Education
Compliance Requirement:	Reporting
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

The Ohio Department of Education's CCIP Final Expenditure Report Completion Steps, states all CCIP Final Expenditure Reports (FERs) must be completed online and may be started after June 30th, the end of the fiscal year. In addition, each Funding Application within the CCIP has its own separate final expenditure report. Each Local Education Agency (LEA) must ensure each FER(s) is submitted to ODE with Superintendent Approval no later than September 30.

The District's Title I final expenditure report amount that was filed timely was understated by \$147,633 compared to the District's system. The report was corrected but was refiled past the due date on October 29.

The District did not have adequate controls in place to help prevent the error.

The District should implement procedures to file their Final Expenditure Report by September 30 and also ensure they file the correct amount.

Official's Response: See Corrected Action Plan.

2. Nutrition Cluster Eligibility

Finding Number:	2019-003
CFDA Number and Title:	CFDA # 10.553/10.555 Nutrition Cluster
Federal Award Identification Number / Year:	2019
Federal Agency:	U.S. Department of Agriculture
Compliance Requirement:	Eligibility
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

The District employs a food service management company to oversee, and conduct the activities of the food service department. When testing applications for students to receive free and reduced lunches, it was determined that an employee of the food service management company signs off on all applications. There is no evidence that an employee of the District also reviewed the applications verifying students were eligible for free or reduced lunches.

7 CFR Part 245.6a(c)(1) states the local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. In addition, 7 CFR Part 245.6a (f)(7) states that based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Further, 7 CFR Part 245.6(c)(3)(iii) states that if there are changes resulting from verification or administrative reviews, the local educational agency must change the children's eligibility status when a change is required as a result of verification activities conducted under A§245.6a or as a result of a review conducted in accordance with Part 210.18 of this chapter.

We obtained the School District's Verification Summary Report (the Report). The Report stated that seven free and reduced applications were selected for verification. Of the seven applications selected for verification, we noted the following:

- Three applications originally marked as reduced that responded should have been moved to paid based on their income.
- One application originally marked as free that responded should have been moved to paid based on their income.
- One application originally marked as free that responded should have been reduced to begin with based on their income. After verification this application was still eligible to be in the reduced category. However, the District kept this application at free.
- There were two applications on the Report that were marked as responded, and moved to paid. However, these applications should have been marked as not responded, and moved to paid. Also, one of these applications was originally marked as free, but based on their income they should have been reduced.

The District contracts with a food service management company to run their food service department. That company has an employee they use as the Food Service Supervisor for the District. No employee of the District is reviewing the applications that come up for verification. The only person reviewing the applications is the Food Service Supervisor.

The District did not have controls in place to help prevent or detect these errors.

The District should establish internal controls to verify that students are eligible to receive free and reduced lunches. The District should also review free and reduced applications that are selected for verifications for accuracy.

Official's Response: See Corrected Action Plan.

3. Schedule of Federal Awards

Finding Number:	2019-004
CFDA Number and Title:	All Programs
Federal Award Identification Number / Year:	All
Federal Agency:	U.S. Department of Agriculture and U.S. Department of Education
Compliance Requirement:	None
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	Yes
Prior Audit Finding Number:	2018-008

NONCOMPLIANCE AND MATERIAL WEAKNESS

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

At a minimum, the schedule must:

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

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

- Expenditures reported did not agree to the District's financial records.
- School Lunch Program expenditures of \$658,897.64, School Breakfast Program expenditures of \$200,901.42, and Donated Commodities Non-Cash transactions of \$89,504.40 were not reported.

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

District management should review all grant and loan award documents in order to execute policies and procedures which help ensure compliance with grant and loan requirements, including Schedule reporting requirements. The District should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This may help ensure the District is in compliance with grant and loan requirements, the Schedule is complete and accurate, and major federal programs are accurately identified for audit.

Official's Response: See Corrected Action Plan.

4. Nutrition Cluster – Procurement and Suspension and Debarment

Finding Number:	2019-005
CFDA Number and Title:	CFDA #10.553/10.555 Nutrition Cluster
Federal Award Identification Number / Year:	2019
Federal Agency:	U.S. Department of Agriculture
Compliance Requirement:	Procurement and Suspension and Debarment
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR § 400.1 gives regulatory effect to the USDA for 2 CFR § 200.318(a)(b) which states that a non-Federal entity must use its own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable Federal law and standards. Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions and specification of their contracts. Additionally **7 CFR 225 Subpart C Section 225.15(m)(4)** states that in addition to any applicable State or local laws governing bid procedures, each District which contracts with a Consortium shall ensure that the Consortium is in compliance with fair and open competition over all purchases.

The District contracts with a consortium, to enter into food contracts on its behalf. The District has outlined its monitoring requirements over the Consortium's adherence to state and federal procurement requirements over full and open competition. However, the District did not have procedures in place documenting the monitoring that the Consortium was complying with the fair and open competition requirements. Additionally, the District did not have internal controls in place to monitor suspension and debarment with the District's food service vendors.

The District should ensure it is following its procurement policy and maintain documentation of the monitoring the Consortium is in compliance with the fair and open competition requirements and the monitoring of suspension and debarment on vendors.

Official's Response: See Corrected Action Plan.

5. Nutrition Cluster - Cash Management

Finding Number:	2019-006
CFDA Number and Title:	CFDA #10.553/10.555 Nutrition Cluster
Federal Award Identification Number / Year:	2019
Federal Agency:	U.S. Department of Agriculture
Compliance Requirement:	Cash Management
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

The District employs a food service management company to oversee, and conduct the activities of the food service department. An employee of the food service management company submits claims for reimbursement to the Ohio Department of Education. There was no evidence that any employee of the District reviewed or approved these claims before they were sent.

The District should establish internal controls to verify that claims for reimbursement submitted for the Nutrition Cluster are correct.

Official's Response: See Corrected Action Plan.

6. Nutrition Cluster - Allowable Activities/Costs

Finding Number:	2019-007
CFDA Number and Title:	CFDA #10.553/10.555 Nutrition Cluster
Federal Award Identification Number / Year:	2019
Federal Agency:	U.S. Department of Agriculture
Compliance Requirement:	Allowable Activities / Costs
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

The District employs a food service management company to oversee and conduct the activities of the food service department. The District paid a lump sum to the food service management company each month, but there was no evidence that the District reviewed any of the supporting invoices to verify amounts paid were for allowable activities and costs.

We identified several unallowable costs/activities being paid to the food service management company. The following expenditures were determined to be unallowable:

- The District expended a total of \$1,111 to a local pizza shop despite not receiving actual invoices from the pizza shop. Amounts were only supported by a blank order form.
- \$876 to a different local pizza shop without proper invoices.
- Total of \$47.70 paid in sales tax to various vendors.
- \$5 gift card bought for a student that does not eat in the cafeteria.
- \$72.99 Amazon payment that did not have any detail/support as to what was purchased.
- \$165.08 in travel reimbursements for an employee of the food service management company, not an employee of the District to drive to other School Districts.
- \$1,000 for training, but no description of what training was for, or how amount was calculated.
- \$1,675.56 in food service management company insurance liability fees that should have been indirect costs approved by ODE. No approval from ODE was received.
- \$187.49 in other miscellaneous receipts that either lacked a detailed invoice, or should have been paid from the General Fund.

These transactions total \$5,140.82. Based on the errors found, we project total unallowable costs/activities for the Nutrition Cluster Program to total \$17,786.

We also noted one instance where the District paid a vendor without having a purchase order signed by the Superintendent and Treasurer. The total of this transaction was \$31.54.

Failure to have policies and procedures over allowable activities and costs could result in unallowable costs being charged to the federal program and/or future reductions in federal awards amounts.

The District should review all detailed invoices from their food service management company. The District should also ensure to only reimburse the food service management company for allowable activities and costs for the Nutrition Cluster Federal Program.

Official's Response: See Corrected Action Plan.

Ann Marie A. Thigpen
Superintendent

Rhonda Amorganos
Treasurer



309 North Rhodes Ave.
Niles, Ohio 44446

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Negative Fund Balances	Partially Corrected	Negative fund balances were not addressed. The district has begun the process of requesting federal funds after each payroll in an effort to eliminate negative fund balances.
2018-002	Improper Transfers	Partially Corrected	All transfers since audit have been Board approved prior to moving funds.
2018-003	Filing of Annual Financial Report	Corrective Action Taken and Finding is Fully Corrected	
2018-004	Cash Reconciliation	Partially Corrected	The district's prior treasurer was not able to reconcile the district's cash to the bank statements. Due to being in Fiscal Emergency, Local Government Services stepped in and reconciled the district. Since September of 2019 the district employed three different Treasurers that have reconciled the cash to the bank. As of 5/1/20 the district is reconciled.
2018-005	Reporting of Cash	Corrective Action Taken and Finding is Fully Corrected	

Niles City School District
 Trumbull County
 Summary Schedule of Prior Audit Findings
 Page 2

2018-006	Budgetary Information in the Accounting System	Partially Corrected	The district's budgetary information has been corrected by the three different Treasurers that have been employed by the district since July 2019. However, the current Treasurer continues to find issues with how expenditures are made using improper functions/objects. These are corrected as they are found. All expenditures will be proper beginning 7/1/20.
2018-007	Financial Statements and Informative Note Disclosure	Corrective Action Taken and Finding is Fully Corrected	
2018-008	Schedule of Federal Awards	Not Corrected	The district's current Treasurer has corrected the issue with the ODE.

Ann Marie A. Thigpen
Superintendent

Rhonda Amorganos
Treasurer



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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2019

Finding Number: 2019-001
Planned Corrective Action: The district has begun the process of requesting federal funds after each payroll in an effort to eliminate negative fund balances prior to month end. In addition, a Project Cash Request will be done on the last Friday of each month for any negative amount outstanding in each Federal Grant. Due to the current issues with COVID-19 the district has seen a decrease in reimbursements and sales in food service and expects additional decreases to continue. Since the district is also seeing a decrease in state and local funds, it will need to assess the food service fund on a monthly/yearly basis and make necessary transfers prior to June 30 of each year.

Anticipated Completion Date: 07/01/2020
Responsible Contact Person: Rhonda Amorganos

Finding Number: 2019-002
Planned Corrective Action: The district's current Treasurer has corrected the issue with the ODE.
Anticipated Completion Date: January 2020
Responsible Contact Person: Rhonda Amorganos

Finding Number: 2019-003
Planned Corrective Action: The district will assign an additional employee in the Board of Education office to review all applications to assure there are no errors and to properly assign reduced, free or paid status to students. The Food Service Management Company will be expected to finalize all applications after the Board employee reviews.

Anticipated Completion Date: 07/01/2020
Responsible Contact Person: Rhonda Amorganos (district); Holly Hanni/Lisa Good (The Nutrition Group)

Finding Number: 2019-004
Planned Corrective Action: The district's current Treasurer will assure that all future Federal Award revenues and expenditures are properly reported. Backup documentation from the district's accounting system will be used to enter the figures into the Schedule of Federal Awards. The Federal Programs will be listed by fund and award year. Lunch Program will be separated by School Lunch, School Breakfast and Commodities received.

Anticipated Completion Date: 07/01/2020
Responsible Contact Person: Rhonda Amorganos

Finding Number: 2019-005
Planned Corrective Action: The district treasurer will meet with Lisa Good at least quarterly to review suspension and debarment documentation. In addition, The Nutrition Group has created a shared file that contains suspension and debarment documents that can be reviewed by the district at any point in time to assure state and local laws are being followed in the best interests of the district and audit purposes.
Anticipated Completion Date: May 2020
Responsible Contact Person: Rhonda Amorganos (district); Lisa Good (The Nutrition Group)

Finding Number: 2019-006
Planned Corrective Action: As requested of The Nutrition Group, all claims for reimbursement are now sent to the district's treasurer for review.
Anticipated Completion Date: 04/01/2020
Responsible Contact Person: Rhonda Amorganos

Finding Number: 2019-007
Planned Corrective Action: The district's treasurer will review the unallowable costs with The Nutrition Group to assure that the district is provided detailed invoices for every purchase made. Sales tax will no longer be paid to vendors or will be refunded by The Nutrition Group appropriately. Gift cards will be monitored to assure they are not given to students that do not eat in the cafeteria. Travel reimbursements and liability insurance will be reviewed to determine what needs approval prior to payment by the Niles School Board.
Anticipated Completion Date: 05/01/2020
Responsible Contact Person: Rhonda Amorganos (district); Lisa Good (The Nutrition Group)

OHIO AUDITOR OF STATE KEITH FABER



NILES CITY SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 9, 2020**