



Dave Yost • Auditor of State



**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY  
JUNE 30, 2017**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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 .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities .....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	24
Statement of Fund Net Position	
Enterprise Fund .....	25
Statement of Revenues, Expenses and Changes in Fund Net Position Enterprise Fund .....	26
Statement of Cash Flows	
Enterprise Fund .....	27
Statement of Fiduciary Net Position	
Fiduciary Funds .....	28
Statement of Change in Fiduciary Net Position	
Private Purpose Trust Fund .....	29
Notes to the Basic Financial Statements.....	31

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY  
JUNE 30, 2017**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability (SERS) .....	69
Schedule of the School District's Proportionate Share of the Net Pension Liability (STRS).....	70
Schedule of the School District's Contributions (SERS).....	72
Schedule of the School District's Contributions (STRS) .....	74
Notes to the Required Supplementary Information .....	76
Schedule of Expenditures of Federal Awards .....	77
Notes to the Schedule of Expenditures of Federal Awards.....	78
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	79
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 .....	81
Schedule of Findings.....	83
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	84



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Highland Local School District  
Morrow County  
6506 State Route 229  
Marengo, Ohio 43334

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highland Local School District, Morrow County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

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

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 19, 2018

**THIS PAGE INTENTIONALLY LEFT BLANK**



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

---

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

**Highlights**

Highlights for fiscal year 2017 were as follows:

- Net position for governmental activities decreased \$1,285,486, or 4 percent. Net position for the business-type activity at fiscal year end was \$313,923. This was a new activity which began operation in fiscal year 2017.
- General revenues were \$16,327,079, or 85 percent of total revenues, and reflect the School District's dependence on property taxes, income taxes, and unrestricted state entitlements.
- For the business-type activity, 100 percent of the revenue were generated by the program.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Highland Local School District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column.

**Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2017. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

---

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Highland Park Fund is reported as business-type activity.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. Highland Local School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Enterprise Fund - The enterprise fund uses the same basis of accounting as the business-type activity; therefore, these statements are essentially the same.

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2017 and fiscal year 2016:

Table 1  
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
<b><u>Assets</u></b>						
Current and Other Assets	\$15,835,601	\$16,509,334	(\$15,984)	\$0	\$15,819,617	\$16,509,334
Capital Assets, Net	56,670,388	57,682,968	332,702	0	57,003,090	57,682,968
Total Assets	<u>72,505,989</u>	<u>74,192,302</u>	<u>316,718</u>	<u>0</u>	<u>72,822,707</u>	<u>74,192,302</u>
<b><u>Deferred Outflows of Resources</u></b>						
Pension	5,149,914	2,256,065	0	0	5,149,914	2,256,065
Other Amounts	1,748,786	1,780,227	0	0	1,748,786	1,780,227
Total Deferred Outflows of Resources	<u>6,898,700</u>	<u>4,036,292</u>	<u>0</u>	<u>0</u>	<u>6,898,700</u>	<u>4,036,292</u>
<b><u>Liabilities</u></b>						
Current and Other Liabilities	1,688,933	2,860,157	2,795	0	1,691,728	2,860,157
Long-Term Liabilities						
Pension	28,192,689	23,022,906	0	0	28,192,689	23,022,906
Other Amounts	17,135,682	17,410,907	0	0	17,135,682	17,410,907
Total Liabilities	<u>47,017,304</u>	<u>43,293,970</u>	<u>2,795</u>	<u>0</u>	<u>47,020,099</u>	<u>43,293,970</u>
<b><u>Deferred Inflows of Resources</u></b>						
Pension	218,688	1,757,913	0	0	218,688	1,757,913
Other Amounts	4,229,173	3,951,701	0	0	4,229,173	3,951,701
Total Deferred Inflows of Resources	<u>4,447,861</u>	<u>5,709,614</u>	<u>0</u>	<u>0</u>	<u>4,447,861</u>	<u>5,709,614</u>
<b><u>Net Position</u></b>						
Net Investment in Capital Assets	43,138,577	42,511,639	330,313	0	43,468,890	42,511,639
Restricted	2,348,215	2,292,164	0	0	2,348,215	2,292,164
Unrestricted (Deficit)	<u>(17,547,268)</u>	<u>(15,578,793)</u>	<u>(16,390)</u>	<u>0</u>	<u>(17,563,658)</u>	<u>(15,578,793)</u>
Total Net Position	<u>\$27,939,524</u>	<u>\$29,225,010</u>	<u>\$313,923</u>	<u>\$0</u>	<u>\$28,253,447</u>	<u>\$29,225,010</u>

The net pension liability reported by the School District at June 30, 2017, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

---

GASB Statement No. 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

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

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

Pension related changes noted in the above table reflect a significant increase in deferred outflows and decrease in deferred inflows related to changes in projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Aside from the changes related to pension, there were few changes of note in the above table. The decrease in current and other assets was primarily a decrease in cash and cash equivalents due to spending resources for the turf and track replacement projects. This was also the cause for the decrease in current and other liabilities as those projects had outstanding liabilities at the end of the prior fiscal year and were completed in fiscal year 2017.

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

The business-type activity represents the School District taking over the operations of Highland Park. The negative current and other assets represents resources owed to governmental activities at fiscal year end (interfund liability).

Table 2 reflects the changes in net position for fiscal year 2017 and fiscal year 2016.

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$757,060	\$564,855	\$14,526	\$0	\$771,586	\$564,855
Operating Grants and Contributions	2,102,526	2,105,000	7,677	0	2,110,203	2,105,000
Capital Grants and Contributions	0	0	327,200	0	327,200	0
Total Program Revenues	<u>2,859,586</u>	<u>2,669,855</u>	<u>349,403</u>	<u>0</u>	<u>3,208,989</u>	<u>2,669,855</u>
General Revenues						
Property Taxes Levied for General Purposes	3,934,254	3,726,666	0	0	3,934,254	3,726,666
Property Taxes Levied for Classroom Facilities Purposes	72,225	69,459	0	0	72,225	69,459
Property Taxes Levied for Debt Service Purposes	911,541	862,565	0	0	911,541	862,565
Property Taxes Levied for Permanent Improvement Purposes	124,240	117,687	0	0	124,240	117,687
Income Taxes Levied for General Purposes	1,123,688	1,085,597	0	0	1,123,688	1,085,597
Grants and Entitlements not Restricted to Specific Programs	9,561,390	9,491,180	0	0	9,561,390	9,491,180
Interest	64,896	33,591	0	0	64,896	33,591
Gifts and Donations	50,892	1,370	0	0	50,892	1,370
Other	483,953	195,764	0	0	483,953	195,764
Total General Revenues	<u>16,327,079</u>	<u>15,583,879</u>	<u>0</u>	<u>0</u>	<u>16,327,079</u>	<u>15,583,879</u>
Total Revenues	<u>19,186,665</u>	<u>18,253,734</u>	<u>349,403</u>	<u>0</u>	<u>19,536,068</u>	<u>18,253,734</u>
<u>Expenses</u>						
Instruction:						
Regular	8,280,697	7,617,159	0	0	8,280,697	7,617,159
Special	2,870,274	2,175,043	0	0	2,870,274	2,175,043
Vocational	301,152	301,817	0	0	301,152	301,817
Support Services:						
Pupils	961,733	783,933	0	0	961,733	783,933
Instructional Staff	256,501	248,219	0	0	256,501	248,219
Board of Education	247,958	328,535	0	0	247,958	328,535
Administration	1,358,525	1,189,836	0	0	1,358,525	1,189,836
Fiscal	425,856	405,789	0	0	425,856	405,789
Operation of Maintenance of Plant	2,134,661	1,350,089	0	0	2,134,661	1,350,089
Pupil Transportation	1,407,858	1,364,855	0	0	1,407,858	1,364,855
Central	852	293	0	0	852	293
Non-Instructional Services	872,736	807,738	0	0	872,736	807,738
Extracurricular Activities	710,186	456,902	0	0	710,186	456,902
Interest and Fiscal Charges	643,162	424,335	0	0	643,162	424,335
Highland Park	0	0	35,480	0	35,480	0
Total Expenses	<u>20,472,151</u>	<u>17,454,543</u>	<u>35,480</u>	<u>0</u>	<u>20,507,631</u>	<u>17,454,543</u>
Increase (Decrease) in Net Position	<u>(1,285,486)</u>	<u>799,191</u>	<u>313,923</u>	<u>0</u>	<u>(971,563)</u>	<u>799,191</u>
Net Position at Beginning of Year	<u>29,225,010</u>	<u>28,425,819</u>	<u>0</u>	<u>0</u>	<u>29,225,010</u>	<u>28,425,819</u>
Net Position at End of Year	<u>\$27,939,524</u>	<u>\$29,225,010</u>	<u>\$313,923</u>	<u>\$0</u>	<u>\$28,253,447</u>	<u>\$29,225,010</u>

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

In total, there was a 5 percent increase in revenues. For program revenues, there was a slight increase in charges for services for special education tuition. For general revenues, there were modest increases in property tax revenue (based on assessed valuation of property), income taxes, and State foundation resources.

The 17 percent increase in expenses can be attributed to salary and benefit increases and the increase in the net pension liability.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction:				
Regular	\$8,280,697	\$7,617,159	\$8,151,505	\$7,493,748
Special	2,870,274	2,175,043	1,200,738	717,887
Vocational	301,152	301,817	223,316	148,731
Support Services:				
Pupils	961,733	783,933	961,733	783,933
Instructional Staff	256,501	248,219	256,501	248,219
Board of Education	247,958	328,535	247,958	328,535
Administration	1,358,525	1,189,836	1,358,525	1,189,836
Fiscal	425,856	405,789	415,852	381,052
Operation and Maintenance of Plant	2,134,661	1,350,089	2,134,661	1,350,089
Pupil Transportation	1,407,858	1,364,855	1,407,858	1,364,855
Central	852	293	852	293
Non-Instructional Services	872,736	807,738	76,722	38,651
Extracurricular Activities	710,186	456,902	533,182	314,524
Interest and Fiscal Charges	643,162	424,335	643,162	424,335
Total Expenses	<u>\$20,472,151</u>	<u>\$17,454,543</u>	<u>\$17,612,565</u>	<u>\$14,784,688</u>

Program revenues provided for 14 percent of the costs of services during fiscal year 2017 (15 percent in the prior fiscal year). Traditional support from federal title grants provided for much of the program revenues for the School District. General revenues such as local property taxes, income taxes, and unrestricted State entitlements (primarily State Foundation funding) provided for the remaining 86 percent of all program costs during the fiscal year.

The special instruction program received 58 percent of its funding through state and federal grants restricted for special education. The non-instructional services program which includes grants, food subsidies, and cafeteria sales received 91 percent of its funding through program revenues in fiscal year 2017. Revenues from extracurricular activities, including athletic events, provided for 25 percent of the costs of these activities.

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

---

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund represents the main operating fund for the day-in day-out operations of the School District. During fiscal year 2017, fund balance in the General Fund increased \$389,744 (almost 7 percent). There were modest increases in property tax revenues, State foundation resources, and tuition. The School District also received one-time distribution from the workers' compensation system (miscellaneous revenue). The 5 percent increase in expenses is largely related to the increase in the net pension liability as well as salary and benefit increases.

Fund balance increased in the Bond Retirement debt service fund as property taxes and related revenues were in excess of amounts needed for debt payments.

Fund balance decreased in the Permanent Improvement capital projects fund as resources were used for various improvements.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the fiscal year, the School District amended its General Fund budget as needed. For revenues, changes from original budget to final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2017, the School District had \$56,670,388 invested in capital assets (net of accumulated depreciation). Governmental additions for fiscal year 2017 included renovations to the track, turf replacement, scoreboards, a tractor, and two buses. Disposals included land improvements and a bus. For business-type activities, additions included the donation of Highland Park including land, land improvements, buildings, and a tractor. The School District also purchased a scoreboard for the park. There were no disposals for business-type activities. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**Debt**

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$16,149,308, for school construction. The School District's long-term obligations also include the net pension liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

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

---

**Current Issues**

Highland Local School District is located in southern Morrow County and includes a small portion of northeastern Delaware County (Porter Township). The School District is made up largely from a residential tax base, and enjoys a rural country setting. Interstate 71 is within easy access to the School District residents and is an easy commute for many traveling to Columbus. The School District's currently serves approximately 1,869 students.

Property values within the School District have historically increased - which has generally supported student enrollment growth. During the period of 2008 to 2014 overall property values stayed fairly constant. More recently land values have begun to increase in both agriculture and residential new construction. The School District maintains one of the lowest overall property tax rates in the State of 24.5 mills, which includes 4.4 mills for bond retirement and .6 mills for permanent improvements.

The School District largely depends on the State's funding system, with as much as two-thirds of the School District's operational funding coming from the State. The School District, however, maintains a stable financial position through a conservative approach to all spending. Although the State's economic condition appears to be improving, it is still unclear if school districts will realize a stable and predictable funding system long-term.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jon Mason, Treasurer, Highland Local School District, 6506 State Route 229, P.O. Box 98, Sparta, Ohio 43350.



Highland Local School District  
Statement of Net Position  
June 30, 2017

	Governmental Activities	Business-Type Activity	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$9,382,985	\$0	\$9,382,985
Accounts Receivable	78,352	0	78,352
Accrued Interest Receivable	1,174	0	1,174
Intergovernmental Receivable	202,032	0	202,032
Income Taxes Receivable	467,242	0	467,242
Internal Balances	15,984	(15,984)	0
Prepaid Items	8,697	0	8,697
Inventory Held for Resale	19,558	0	19,558
Materials and Supplies Inventory	47,302	0	47,302
Property Taxes Receivable	5,612,275	0	5,612,275
Nondepreciable Capital Assets	776,573	187,500	964,073
Depreciable Capital Assets, Net	55,893,815	145,202	56,039,017
Total Assets	<u>72,505,989</u>	<u>316,718</u>	<u>72,822,707</u>
<u>Deferred Outflows of Resources:</u>			
Deferred Charge on Refunding	1,748,786	0	1,748,786
Pension	5,149,914	0	5,149,914
Total Deferred Outflows of Resources	<u>6,898,700</u>	<u>0</u>	<u>6,898,700</u>
<u>Liabilities:</u>			
Accounts Payable	37,608	2,795	40,403
Accrued Wages and Benefits Payable	1,344,210	0	1,344,210
Matured Compensated Absences Payable	20,636	0	20,636
Intergovernmental Payable	248,700	0	248,700
Accrued Interest Payable	37,779	0	37,779
Long-Term Liabilities:			
Due Within One Year	514,220	0	514,220
Due in More Than One Year			
Net Pension Liability	28,192,689	0	28,192,689
Other Amounts Due in More than One Year	<u>16,621,462</u>	<u>0</u>	<u>16,621,462</u>
Total Liabilities	<u>47,017,304</u>	<u>2,795</u>	<u>47,020,099</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	4,229,173	0	4,229,173
Pension	218,688	0	218,688
Total Deferred Inflows of Resources	<u>4,447,861</u>	<u>0</u>	<u>4,447,861</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	43,138,577	330,313	43,468,890
Restricted For:			
Debt Service	947,397	0	947,397
Capital Projects	49,835	0	49,835
Cafeteria Operations	372,305	0	372,305
Classroom Facilities	848,524	0	848,524
Other Purposes	130,154	0	130,154
Unrestricted (Deficit)	<u>(17,547,268)</u>	<u>(16,390)</u>	<u>(17,563,658)</u>
Total Net Position	<u>\$27,939,524</u>	<u>\$313,923</u>	<u>\$28,253,447</u>

See Accompanying Notes to Basic Financial Statements

Highland Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$8,280,697	\$42,975	\$86,217	\$0
Special	2,870,274	182,174	1,487,362	0
Vocational	301,152	0	77,836	0
Support Services:				
Pupils	961,733	0	0	0
Instructional Staff	256,501	0	0	0
Board of Education	247,958	0	0	0
Administration	1,358,525	0	0	0
Fiscal	425,856	10,004	0	0
Operation and Maintenance of Plant	2,134,661	0	0	0
Pupil Transportation	1,407,858	0	0	0
Central	852	0	0	0
Non-Instructional Services	872,736	344,903	451,111	0
Extracurricular Activities	710,186	177,004	0	0
Interest and Fiscal Charges	643,162	0	0	0
Total Governmental Activities	20,472,151	757,060	2,102,526	0
<u>Business-Type Activity:</u>				
Highland Park	35,480	14,526	7,677	327,200
Total	\$20,507,631	\$771,586	\$2,110,203	\$327,200

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Classroom Facilities Purposes  
Property Taxes Levied for Debt Service Purposes  
Property Taxes Levied for Permanent Improvement Purposes  
Income Taxes Levied for General Purposes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Gifts and Donations  
Miscellaneous  
Total General Revenues

Change in Net Position

Net Position at Beginning of Year  
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in Net Position

Governmental Activities	Business-Type Activity	Total
(\$8,151,505)	\$0	(\$8,151,505)
(1,200,738)	0	(1,200,738)
(223,316)	0	(223,316)
(961,733)	0	(961,733)
(256,501)	0	(256,501)
(247,958)	0	(247,958)
(1,358,525)	0	(1,358,525)
(415,852)	0	(415,852)
(2,134,661)	0	(2,134,661)
(1,407,858)	0	(1,407,858)
(852)	0	(852)
(76,722)	0	(76,722)
(533,182)	0	(533,182)
(643,162)	0	(643,162)
(17,612,565)	0	(17,612,565)
0	313,923	313,923
(17,612,565)	313,923	(17,298,642)
3,934,254	0	3,934,254
72,225	0	72,225
911,541	0	911,541
124,240	0	124,240
1,123,688	0	1,123,688
9,561,390	0	9,561,390
64,896	0	64,896
50,892	0	50,892
483,953	0	483,953
16,327,079	0	16,327,079
(1,285,486)	313,923	(971,563)
29,225,010	0	29,225,010
\$27,939,524	\$313,923	\$28,253,447

See Accompanying Notes to the Basic Financial Statements

Highland Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,166,928	\$776,475	\$1,031,644	\$1,405,768
Accounts Receivable	72,698	0	0	5,654
Accrued Interest Receivable	1,174	0	0	0
Intergovernmental Receivable	53,743	0	0	148,289
Income Taxes Receivable	467,242	0	0	0
Interfund Receivable	128,118	0	0	0
Prepaid Items	8,697	0	0	0
Inventory Held for Resale	0	0	0	19,558
Materials and Supplies Inventory	44,001	0	0	3,301
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	2,170	0	0	0
Property Taxes Receivable	4,407,595	991,443	136,724	76,513
<b>Total Assets</b>	<u><u>\$11,352,366</u></u>	<u><u>\$1,767,918</u></u>	<u><u>\$1,168,368</u></u>	<u><u>\$1,659,083</u></u>
<u>Liabilities:</u>				
Accounts Payable	\$32,657	\$0	\$0	\$4,951
Accrued Wages and Benefits Payable	1,214,928	0	0	129,282
Matured Compensated Absences Payable	20,636	0	0	0
Intergovernmental Payable	243,950	0	0	4,750
Interfund Payable	0	0	0	112,134
<b>Total Liabilities</b>	<u><u>1,512,171</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>251,117</u></u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,328,123	741,461	102,636	56,953
Unavailable Revenue	452,293	40,712	5,552	157,145
<b>Total Deferred Inflows of Resources</b>	<u><u>3,780,416</u></u>	<u><u>782,173</u></u>	<u><u>108,188</u></u>	<u><u>214,098</u></u>
<u>Fund Balances:</u>				
Nonspendable	52,698	0	0	3,301
Restricted	2,170	985,745	0	1,392,516
Committed	0	0	1,060,180	0
Assigned	146,389	0	0	0
Unassigned (Deficit)	5,858,522	0	0	(201,949)
<b>Total Fund Balances</b>	<u><u>6,059,779</u></u>	<u><u>985,745</u></u>	<u><u>1,060,180</u></u>	<u><u>1,193,868</u></u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$11,352,366</u></u>	<u><u>\$1,767,918</u></u>	<u><u>\$1,168,368</u></u>	<u><u>\$1,659,083</u></u>

See Accompanying Notes to the Basic Financial Statements

Total  
Governmental  
Funds

---

\$9,380,815  
78,352  
1,174  
202,032  
467,242  
128,118  
8,697  
19,558  
47,302

2,170  
5,612,275  
\$15,947,735

\$37,608  
1,344,210  
20,636  
248,700  
112,134  
1,763,288

4,229,173  
655,702  
4,884,875

55,999  
2,380,431  
1,060,180  
146,389  
5,656,573  
9,299,572

\$15,947,735

**THIS PAGE INTENTIONALLY LEFT BLANK**

Highland Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 June 30, 2017

Total Governmental Fund Balances		\$9,299,572
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		56,670,388
Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		1,748,786
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	195,833	
Intergovernmental Receivable	148,289	
Income Taxes Receivable	86,311	
Delinquent Property Taxes Receivable	225,269	
		655,702
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(37,779)	
General Obligation Bonds Payable	(16,149,308)	
Compensated Absences Payable	(986,374)	
		(17,173,461)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows - Pension	5,149,914	
Deferred Inflows - Pension	(218,688)	
Net Pension Liability	(28,192,689)	
		(23,261,463)
Net Position of Governmental Activities		\$27,939,524

See Accompanying Notes to the Basic Financial Statements

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>
<u>Revenues:</u>				
Property Taxes	\$4,008,846	\$928,362	\$126,596	\$73,687
Income Taxes	1,099,580	0	0	0
Intergovernmental	10,232,257	128,634	17,541	1,252,206
Interest	64,896	0	0	0
Tuition and Fees	180,864	0	0	0
Extracurricular Activities	30,989	0	0	177,004
Charges for Services	43,438	0	0	344,300
Gifts and Donations	892	0	50,000	0
Miscellaneous	387,352	0	750	20,347
Total Revenues	<u>16,049,114</u>	<u>1,056,996</u>	<u>194,887</u>	<u>1,867,544</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,191,142	0	0	57,520
Special	1,859,601	0	0	855,580
Vocational	260,495	0	0	0
Support Services:				
Pupils	911,644	0	0	0
Instructional Staff	184,371	0	0	10,800
Board of Education	247,958	0	0	0
Administration	1,231,737	0	0	0
Fiscal	388,761	27,286	3,721	2,169
Operation and Maintenance of Plant	1,655,767	0	349,180	66,161
Pupil Transportation	1,397,792	0	0	0
Central	0	0	0	852
Non-Instructional Services	0	0	0	772,494
Extracurricular Activities	313,102	0	0	153,670
Capital Outlay	19,400	0	0	45,786
Debt Service:				
Principal Retirement	0	500,000	0	0
Interest and Fiscal Charges	0	460,919	0	0
Total Expenditures	<u>15,661,770</u>	<u>988,205</u>	<u>352,901</u>	<u>1,965,032</u>
Excess of Revenues Over (Under) Expenditures	387,344	68,791	(158,014)	(97,488)
<u>Other Financing Sources:</u>				
Sale of Capital Assets	<u>2,400</u>	<u>0</u>	<u>0</u>	<u>0</u>
Changes in Fund Balances	389,744	68,791	(158,014)	(97,488)
Fund Balances at Beginning of Year	<u>5,670,035</u>	<u>916,954</u>	<u>1,218,194</u>	<u>1,291,356</u>
Fund Balances at End of Year	<u>\$6,059,779</u>	<u>\$985,745</u>	<u>\$1,060,180</u>	<u>\$1,193,868</u>

See Accompanying Notes to the Basic Financial Statements



Total  
Governmental  
Funds

---

\$5,137,491  
1,099,580  
11,630,638  
64,896  
180,864  
207,993  
387,738  
50,892  
408,449  

---

19,168,541

7,248,662  
2,715,181  
260,495

911,644  
195,171  
247,958  
1,231,737  
421,937  
2,071,108  
1,397,792  
852  
772,494  
466,772  
65,186

500,000  
460,919  

---

18,967,908

200,633

2,400  

---

203,033

9,096,539  

---

\$9,299,572  

---

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

Changes in Fund Balances - Total Governmental Funds \$203,033

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.

Capital Outlay - Nondepreciable Capital Assets	47,277	
Capital Outlay - Depreciable Capital Assets	246,171	
Depreciation	<u>(1,275,225)</u>	(981,777)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(2,400)	
Gain on Disposal of Capital Assets	2,400	
Loss on Disposal of Capital Assets	<u>(30,803)</u>	(30,803)

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

Delinquent Property Taxes	(95,231)	
Income Taxes	24,108	
Intergovernmental	2,289	
Tuition and Fees	10,851	
Charges for Services	603	
Miscellaneous	<u>73,104</u>	15,724

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position. 500,000

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.

Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	1,262	
Annual Accretion on Capital Appreciation Bonds	(193,188)	
Amortization of Premium	45,444	
Amortization of Discount	(4,320)	
Amortization of Deferred Charge on Refunding	<u>(31,441)</u>	(182,243)

(continued)

Highland Local School District  
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2017  
(continued)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(\$72,711)
Except for amounts reported as dererred outflow/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.	(2,161,669)
Contractually required contributions are reported as expenditures in governmental funds, however, the statement of net position reports these as deferred outflows.	<u>1,424,960</u>
Change in Net Position of Governmental Activities	<u><u>(\$1,285,486)</u></u>

See Accompanying Notes to the Basic Financial Statements

Highland Local 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,060,000	\$4,060,000	\$4,079,672	\$19,672
Income Taxes	1,050,000	1,050,000	1,098,496	48,496
Intergovernmental	10,050,000	10,200,000	10,227,636	27,636
Interest	20,000	50,000	65,399	15,399
Tuition and Fees	55,000	153,500	181,620	28,120
Extracurricular Activities	15,000	28,000	30,989	2,989
Charges for Services	24,737	24,737	68,175	43,438
Gifts and Donations	1,500	950	892	(58)
Miscellaneous	42,600	80,600	87,243	6,643
Total Revenues	<u>15,318,837</u>	<u>15,647,787</u>	<u>15,840,122</u>	<u>192,335</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,315,900	7,432,900	7,349,977	82,923
Special	1,760,650	1,760,650	1,860,173	(99,523)
Vocational	301,400	301,400	268,484	32,916
Support Services:				
Pupils	964,230	964,230	926,416	37,814
Instructional Staff	228,950	228,950	188,099	40,851
Board of Education	237,390	237,390	263,432	(26,042)
Administration	1,242,677	1,294,177	1,253,693	40,484
Fiscal	409,900	409,900	394,686	15,214
Operation and Maintenance of Plant	1,640,722	1,690,722	1,687,445	3,277
Pupil Transportation	1,419,944	1,419,944	1,419,705	239
Extracurricular Activities	251,610	251,610	310,744	(59,134)
Capital Outlay	25,000	25,000	22,400	2,600
Total Expenditures	<u>15,798,373</u>	<u>16,016,873</u>	<u>15,945,254</u>	<u>71,619</u>
Excess of Revenues Under Expenditures	<u>(479,536)</u>	<u>(369,086)</u>	<u>(105,132)</u>	<u>263,954</u>
<u>Other Financing Sources:</u>				
Sale of Capital Assets	2,400	2,400	2,400	0
Refund of Prior Year Expenditures	175,263	275,263	281,309	6,046
Total Other Financing Sources	<u>177,663</u>	<u>277,663</u>	<u>283,709</u>	<u>6,046</u>
Changes in Fund Balance	(301,873)	(91,423)	178,577	270,000
Fund Balance at Beginning of Year	5,776,021	5,776,021	5,776,021	0
Prior Year Encumbrances Appropriated	214,845	214,845	214,845	0
Fund Balance at End of Year	<u>\$5,688,993</u>	<u>\$5,899,443</u>	<u>\$6,169,443</u>	<u>\$270,000</u>

See Accompanying Notes to the Basic Financial Statements

Highland Local School District  
Statement of Fund Net Position  
Enterprise Fund  
June 30, 2017

	Highland Park
<u>Assets:</u>	
<u>Non-Current Assets:</u>	
Nondepreciable Capital Assets	187,500
Depreciable Capital Assets, Net	145,202
Total Assets	332,702
 <u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Accounts Payable	2,795
Interfund Payable	15,984
Total Liabilities	18,779
 <u>Net Position:</u>	
Net Investment in Capital Assets	330,313
Unrestricted (Deficit)	(16,390)
Total Net Position	\$313,923

See Accompanying Notes to the Basic Financial Statements

Highland Local School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2017

	Highland Park
<u>Operating Revenues:</u>	
Charges for Services	\$14,526
Other Operating Revenues	7,677
Total Operating Revenues	22,203
<u>Operating Expenses:</u>	
Salaries	6,667
Purchased Services	4,148
Materials and Supplies	19,667
Depreciation	4,998
Total Operating Expenses	35,480
Loss before Contributions	(13,277)
Capital Contributions	327,200
Changes in Net Position	313,923
Net Position at Beginning of Year	0
Net Position at End of Year	\$313,923

See Accompanying Notes to the Basic Financial Statements

Highland Local School District  
Statement of Cash Flows  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2017

	Highland Park
<u>Increase in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$14,526
Cash Received from Other Revenues	7,677
Cash Payments for Salaries	(6,667)
Cash Payments for Goods and Services	(23,409)
Net Cash Used for Operating Activities	(7,873)
 <u>Cash Flows from Noncapital Financing Activities</u>	
Interfund	15,984
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(8,111)
Net Increase in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	\$0
 <u>Reconciliation of Operating Loss</u>	
<u>to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$13,277)
 <u>Adjustments to Reconcile Operating Loss</u>	
<u>to Net Cash Used for Operating Activities:</u>	
Depreciation	4,998
Changes in Liabilities:	
Increase in Accounts Payable	406
Net Cash Used for Operating Activities	(\$7,873)

Non-Cash Capital Transactions

During fiscal year 2017, the Highland Park enterprise fund accepted the donation of capital assets from outside sources, in the amount of \$327,200.

At June 30, 2017, the Highland Park enterprise fund had payables related to the acquisition of capital assets, in the amount of \$2,389.

See Accompanying Notes to the Basic Financial Statements

Highland Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$34,429	\$49,731
<u>Liabilities:</u>		
Undistributed Assets	0	\$9,410
Due to Students	0	40,321
Total Liabilities	0	\$49,731
<u>Net Position:</u>		
Held in Trust for Scholarships	\$34,429	

See Accompanying Notes to the Basic Financial Statements



Highland Local School District  
Statement of Change in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2017

<u>Additions:</u>	
Gifts and Donations	\$11,687
 <u>Deductions:</u>	
Non-Instructional Services	7,000
	<hr/>
Change in Net Position	4,687
Net Position at Beginning of Year	29,742
Net Position at End of Year	<hr/> <u>\$34,429</u> <hr/>

See Accompanying Notes to the Basic Financial Statements

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

---

**Note 1 - Description of the School District and Reporting Entity**

Highland Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1960. The School District serves an area of approximately one hundred forty-four square miles and is located in Morrow and Delaware Counties. It is staffed by eighty-seven classified employees, one hundred twenty-six certified teaching personnel, and sixteen administrative employees who provide services to 1,869 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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 Highland Local School District, this includes 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 School District. There are no component units of the Highland Local School District.

The School District participates in three jointly governed organizations, an insurance pool, and is associated with a related organization. These organizations are the Metropolitan Educational Technology Association, Tri-Rivers Joint Vocational School, Metropolitan Educational Council, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Selover Public Library. These organizations are presented in Notes 20, 21, and 22 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of Highland Local 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. Following are the more significant of the School District’s accounting policies.

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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 and business-type activity. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of 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 fiscal 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

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

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The School District's major funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for the movement of inside millage of property taxes committed for the acquisition, construction, or improvement of capital facilities.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one enterprise fund, which is not a major fund, that accounts for the operations of a community park.

Fiduciary Funds

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students after graduation. 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 various student-managed activities and payroll withholdings and deductions.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities 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 current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise activity.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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.

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal 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 the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report 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 that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and explained in Note 14 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 consists of property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 20. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 14 to the basic financial statements.

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".



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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

During fiscal year 2017, investments consisted of STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV that approximates fair value.

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

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2017 was \$64,896, which includes \$26,943 assigned from other School District funds.

Investments of the School District's 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the 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 unexpended revenues restricted for bus purchases.

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**J. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise fund. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activity column on the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. 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 capitalized.

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

Description	Governmental Activities Useful Lives	Business-Type Activities Useful Lives
Land Improvements	10 - 40 years	N/A
Buildings and Building Improvements	15 - 100 years	10 years
Furniture, Fixtures, and Equipment	5 - 40 years	5-10 years
Vehicles	5 - 15 years	N/A

**K. Deferred Charge on Refunding**

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

**L. Interfund Assets/Liabilities**

On fund financial statements, outstanding interfund loans are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

**Note 2 - Summary of Significant Accounting Policies** (continued)

**M. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On 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 fund from which the employees who have accumulated unpaid leave are paid.

**N. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide 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, net pension liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

**O. Unamortized Premiums and Discounts**

On government-wide financial statements, premiums and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction of the face amount of bonds payable.

On the governmental fund financial statements, bond premiums and discounts are recognized in the period when the debt is issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited in the Bond Retirement Fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to a bond escrow agent.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**P. Net Position**

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for music and athletic programs and federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Q. Fund Balance**

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

Nonspendable - The nonspendable classification 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" 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 are imposed by law through constitutional provisions.

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

Assigned - Amounts in the assigned 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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2018 budget. Certain resources have also been assigned for other educational and extracurricular activities.

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

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

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 first applies restricted resources when an expenditure is 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 can be used.

**R. Pensions**

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

**S. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are charges for services for concession sales and the rental of a community park and from donations. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

**T. Capital Contributions**

Capital contributions arise from contributions of capital assets from outside sources.

**U. 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.

**Note 3 - Change in Accounting Principles**

For fiscal year 2017, the School District implemented GASB Statement No. 77, "Tax Abatement Disclosures". GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there were no material abatements.

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

---

**Note 3 - Change in Accounting Principles** (continued)

The School District also implemented GASB Implementation Guide No. 2016-1. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2017, the Title VI-B, Title I, Early Childhood Special Education, and Title II-A special revenue funds had deficit fund balances, in the amount of \$80,608, \$101,481, \$3,289, and \$16,571, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The Building capital projects fund and Highland Park enterprise fund had appropriations in excess of estimated resources plus available balances, in the amount of \$20,000 and \$28,000, respectively, for the fiscal year ended June 30, 2017. The Treasurer will monitor budgetary transactions to ensure that appropriations are within amounts available.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

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

**Note 5 - Budgetary Basis of Accounting** (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$389,744
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2016, Received in Cash FY 2017	1,406,487
Accrued FY 2017, Not Yet Received in Cash	(1,334,170)
Expenditure Accruals:	
Accrued FY 2016, Paid in Cash FY 2017	(1,784,571)
Accrued FY 2017, Not Yet Paid in Cash	1,512,171
Prepaid Items	(354)
Materials and Supplies Inventory	4,909
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(15,639)
Budget Basis	\$178,577

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

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

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

---

**Note 6 - Deposits and Investments** (continued)

Interim monies held by the School District may 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;
4. Bonds and other obligations of the State of Ohio and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

**Investments**

As of June 30, 2017, the net value per share of funds on deposit with STAR Ohio was \$4,020,501. The School District's investments in STAR Ohio have an average maturity of 45.5 days. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with interest rate or credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.



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

---

**Note 7 - Receivables**

Receivables at June 30, 2017, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, interfund, and property taxes. 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 income taxes and property taxes, are expected to be collected within one year. Income taxes and 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:

	Amount
Governmental Activities	
Major Fund	
General Fund	
Bureau of Workers' Compensation	\$21,679
School Employees Retirement System	23,844
State of Ohio	8,220
Total General Fund	53,743
Other Governmental Funds	
Title VI-B	100,000
Title I	28,000
Early Childhood Special Education	3,289
Title II-A	17,000
Total Other Governmental Funds	148,289
Total Intergovernmental Receivables	\$202,032

**Note 8 - Income Taxes**

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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

---

**Note 9 - 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2017, and for which there was 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 reflected 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, 2017, was \$903,669 in the General Fund, \$16,358 in the Classroom Facilities special revenue fund, \$209,270 in the Bond Retirement debt service fund, and \$28,536 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$974,495 in the General Fund, \$18,053 in the Classroom Facilities special revenue fund, \$225,673 in the Bond Retirement debt service fund, and \$30,773 in the Permanent Improvement capital projects fund.

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

**Note 9 - Property Taxes** (continued)

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

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$208,727,780	90.33%	\$212,451,770	90.03%
Industrial/Commercial	16,011,270	6.93	17,190,810	7.28
Public Utility	6,338,710	2.74	6,348,450	2.69
Total Assessed Value	<u>\$231,077,760</u>	<u>100.00%</u>	<u>\$235,991,030</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$24.50		\$24.50	

**Note 10 - Capital Assets**

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

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$776,573	\$0	\$0	\$776,573
Construction in Progress	1,374,340	47,277	(1,421,617)	0
Total Nondepreciable Capital Assets	<u>2,150,913</u>	<u>47,277</u>	<u>(1,421,617)</u>	<u>776,573</u>
Depreciable Capital Assets				
Land Improvements	1,162,425	1,421,617	(52,620)	2,531,422
Buildings and Building Improvements	60,319,382	0	0	60,319,382
Furniture, Fixtures, and Equipment	1,325,459	55,661	0	1,381,120
Vehicles	2,173,093	190,510	(61,121)	2,302,482
Total Depreciable Capital Assets	<u>64,980,359</u>	<u>1,667,788</u>	<u>(113,741)</u>	<u>66,534,406</u>
Less Accumulated Depreciation				
Land Improvements	(223,714)	(126,452)	21,817	(328,349)
Buildings and Building Improvements	(7,201,727)	(923,478)	0	(8,125,205)
Furniture, Fixtures, and Equipment	(601,713)	(71,796)	0	(673,509)
Vehicles	(1,421,150)	(153,499)	61,121	(1,513,528)
Total Accumulated Depreciation	<u>(9,448,304)</u>	<u>(1,275,225)</u>	<u>82,938</u>	<u>(10,640,591)</u>
Depreciable Capital Assets, Net	<u>55,532,055</u>	<u>392,563</u>	<u>(30,803)</u>	<u>55,893,815</u>
Governmental Activities Capital Assets, Net	<u>\$57,682,968</u>	<u>\$439,840</u>	<u>(\$1,452,420)</u>	<u>\$56,670,388</u>

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

**Note 10 - Capital Assets** (continued)

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$0	\$187,500	\$0	\$187,500
Depreciable Capital Assets				
Buildings and Building Improvements	0	134,700	0	134,700
Furniture, Fixtures, and Equipment	0	15,500	0	15,500
Total Depreciable Capital Assets	0	150,200	0	150,200
Less Accumulated Depreciation				
Buildings and Building Improvements	0	(4,490)	0	(4,490)
Furniture, Fixtures, and Equipment	0	(508)	0	(508)
Total Accumulated Depreciation	0	(4,998)	0	(4,998)
Depreciable Capital Assets, Net	0	145,202	0	145,202
Business-Type Activities Capital Assets, Net	\$0	\$332,702	\$0	\$332,702

During fiscal year 2017, the Highland Park enterprise fund accepted contributions of capital assets from outside sources with a fair value of \$327,200.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$607,587
Special	32,452
Vocational	29,671
Support Services:	
Pupils	8,508
Instructional Staff	53,271
Administration	22,088
Fiscal	4,323
Operation and Maintenance of Plant	54,919
Pupil Transportation	171,584
Non-Instructional Services	99,563
Extracurricular Activities	191,259
Total Depreciation Expense	<u>\$1,275,225</u>

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

---

**Note 11 - Interfund**

At June 30, 2017, the General Fund had an interfund receivable, in the amount of \$112,134 and \$15,984, from other governmental funds and the Highland Park enterprise fund, respectively, for short-term loans made to those funds. All amounts are expected to be repaid within one year.

**Note 12 - 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 2017, the School District contracted for the following insurance coverage.

Coverage purchased from Argonaut Insurance Group is as follows:

Buildings and Contents - replacement cost	\$53,053,975
Automobile Liability	1,000,000
General School District Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000
Excess School District Liability	
Per Occurrence	2,000,000
Total per Year	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 13 - Contractual Commitments**

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2018 are as follows:

General Fund	\$15,639
--------------	----------

**Note 14 - Defined Benefit Pension Plans**

**Net Pension Liability**

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

**Note 14 - Defined Benefit Pension Plans** (continued)

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District classified 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. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://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; 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; 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 thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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 System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$330,275 for fiscal year 2017. Of this amount, \$66,045 is reported as an intergovernmental payable.

**Note 14 - Defined Benefit Pension Plans** (continued)

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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

The DBP 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. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit 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 sixty-five or thirty-five years of service credit and at least age sixty.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 fifty or later.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.



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

**Note 14 - Defined Benefit Pension Plans** (continued)

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased 1 percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,094,685 for fiscal year 2017. Of this amount, \$182,884 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.07152490%	0.06853702%	
Proportion of the Net Pension Liability Current Measurement Date	0.07068940	0.06876847	
Change in Proportionate Share	0.00083550%	0.00023145%	
Proportionate Share of the Net Pension Liability	\$5,173,811	\$23,018,878	\$28,192,689
Pension Expense	\$467,686	\$1,693,983	\$2,161,669

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

**Note 14 - Defined Benefit Pension Plans** (continued)

At June 30, 2017, the School District reported deferred outflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences Between Expected and Actual Experience	\$69,782	\$930,073	\$999,855
Changes of Assumptions	345,380	0	345,380
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	426,764	1,911,185	2,337,949
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	0	41,770	41,770
School District Contributions Subsequent to the Measurement Date	330,275	1,094,685	1,424,960
Total Deferred Outflows of Resources	<u>\$1,172,201</u>	<u>\$3,977,713</u>	<u>\$5,149,914</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>\$157,718</u>	<u>\$60,970</u>	<u>\$218,688</u>

\$1,424,960 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 fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ended June 30,			
2018	\$140,281	\$439,975	\$580,256
2019	139,975	439,976	579,951
2020	281,276	1,173,353	1,454,629
2021	122,676	768,754	891,430
Total	<u>\$684,208</u>	<u>\$2,822,058</u>	<u>\$3,506,266</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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.

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

**Note 14 - Defined Benefit Pension Plans** (continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2016, compared with June 30, 2015, are presented below.

	June 30, 2016	June 30, 2015
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal	entry age normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

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

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

**Note 14 - Defined Benefit Pension Plans** (continued)

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating 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.

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 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 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$6,849,804	\$5,173,811	\$3,770,936

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

**Note 14 - Defined Benefit Pension Plans** (continued)

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost of Living Adjustments (COLA)	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

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 eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<u>100.00%</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

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

**Note 14 - Defined Benefit Pension Plans** (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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 7.75 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 (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$30,590,221	\$23,018,878	\$16,632,007

**Changes Between Measurement Date and Report Date**

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

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2017, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health care plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://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). The 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 establishes 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 basic 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 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$41,219.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care for the fiscal years ended June 30, 2017, 2016, and 2015 was \$0, \$0, and \$17,698, respectively. The full amount has been contributed for all three fiscal years.

**State Teachers Retirement System (STRS)**

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

**Note 15 - Postemployment Benefits** (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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 postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

**Note 16 - Other Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty-eight days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty-two days for all employees.

**B. Health Care Benefits**

The School District offers employee medical benefits through Medical Mutual. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The School District offers life insurance to all employees through American United Life. Dental insurance is offered to all employees through Delta Dental.



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

**Note 17 - Long-Term Obligations**

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

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement FY 2009					
Serial Bonds 3-4.5%	\$955,000	\$0	\$275,000	\$680,000	\$300,000
Capital Appreciation Bonds 13.12%	365,000	0	0	365,000	0
Accretion on Capital Appreciation Bonds	609,642	134,422	0	744,064	0
Bond Premium	52,144	0	10,863	41,281	0
Bond Discount	(20,736)	0	(4,320)	(16,416)	0
Total School Facilities Construction and Improvement FY2009	1,961,050	134,422	281,543	1,813,929	300,000
FY2016A Refunding					
Serial Bonds (1-4%)	6,990,000	0	120,000	6,870,000	125,000
Term Bonds (3-3.5%)	1,205,000	0	0	1,205,000	0
Capital Appreciation Bonds (18.74-18.48%)	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	22,813	31,721	0	54,534	0
Bond Premium	1,385,499	0	19,947	1,365,552	0
Total FY2016A Refunding	9,743,312	31,721	139,947	9,635,086	125,000
FY2016B Refunding					
Serial Bonds (1-4%)	3,950,000	0	105,000	3,845,000	70,000
Capital Appreciation Bonds (10.24%)	250,000	0	0	250,000	0
Accretion on Capital Appreciation Bonds	7,508	27,045	0	34,553	0
Bond Premium	585,374	0	14,634	570,740	0
Total FY2016B Refunding	4,792,882	27,045	119,634	4,700,293	70,000
Total General Obligation Bonds	16,497,244	193,188	541,124	16,149,308	495,000
Net Pension Liability					
SERS	4,081,279	1,092,532	0	5,173,811	0
STRS	18,941,627	4,077,251	0	23,018,878	0
Total Net Pension Liability	23,022,906	5,169,783	0	28,192,689	0
Compensated Absences Payable	913,663	89,698	16,987	986,374	19,220
Total Governmental Activities Long-Term Obligations	<u>\$40,433,813</u>	<u>\$5,452,669</u>	<u>\$558,111</u>	<u>\$45,328,371</u>	<u>\$514,220</u>

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

---

**Note 17 - Long-Term Obligations** (continued)

FY 2009 School Facilities Construction and Improvement Bonds - On November 25, 2008, the School District issued \$15,000,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$1,970,000, \$12,665,000, and \$365,000, respectively. The bonds were issued for a twenty-eight fiscal year period, with final maturity during fiscal year 2037. During fiscal year 2016, all of the term bonds were refunded, in the amount of \$12,665,000. The remaining bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to prior redemption on or after December 1, 2019, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date on or after December 1, 2018, in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2020 through 2023. The maturity amount of the bonds is \$1,840,000. For fiscal year 2017, \$134,422 was accreted on the capital appreciation bonds for a total value of \$1,109,064 at fiscal year end.

FY 2016A Refunding School Improvement Bonds - On August 27, 2015, the School District issued general obligation bonds, in the amount of \$8,465,000, to partially refund bonds previously issued in fiscal year 2009 for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$7,120,000, \$1,205,000, and \$140,000, respectively. The bonds were issued for a twenty-one fiscal year period, with maturity in fiscal year 2037. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2021	\$135,000
2022	145,000

The remaining principal, in the amount of \$145,000, will be paid at stated maturity on December 1, 2023.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2024	\$150,000
2025	150,000

The remaining principal, in the amount of \$155,000, will be paid at stated maturity on December 1, 2026.

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

---

**Note 17 - Long-Term Obligations** (continued)

The bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2027	\$160,000

The remaining principal, in the amount of \$165,000, will be paid at stated maturity on December 1, 2028.

The serial bonds are subject to prior redemption on or after December 1, 2023, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2030 and 2031. The maturity amount of the bonds is \$1,930,000. For fiscal year 2017, \$31,721 was accreted on the capital appreciation bonds for a total value of \$194,534 at fiscal year end.

As of June 30, 2017, \$8,465,000 of the refunded bonds was still outstanding.

FY 2016B Refunding School Improvement Bonds - On March 15, 2016, the School District issued general obligation bonds, in the amount of \$4,200,000, to partially refund bonds previously issued in fiscal year 2009 for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The refunding bond issue included serial and capital appreciation bonds, in the original amount of \$3,950,000 and \$250,000, respectively. The bonds were issued for a thirteen fiscal year period, with maturity in fiscal year 2029. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds are subject to prior redemption on or after December 1, 2023, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2024. The maturity amount of the bonds is \$540,000. For fiscal year 2017, \$27,045 was accreted on the capital appreciation bonds for a total value of \$284,553 at fiscal year end.

As of June 30, 2017, \$4,200,000 of the refunded bonds was still outstanding.

There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the General Fund and the Food Service special revenue fund.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

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

**Note 17 - Long-Term Obligations** (continued)

The School District's overall debt margin was \$8,298,577 with an unvoted debt margin of \$229,643 at June 30, 2017.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2017, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2018	\$495,000	\$0	\$0	\$445,000	\$940,000
2019	575,000	0	0	426,500	1,001,500
2020	200,000	0	100,000	729,525	1,029,525
2021	205,000	0	90,000	750,825	1,045,825
2022	70,000	135,000	90,000	806,400	1,101,400
2023-2027	2,020,000	745,000	335,000	2,578,750	5,678,750
2028-2032	2,440,000	325,000	140,000	3,065,950	5,970,950
2033-2037	5,390,000	0	0	553,300	5,943,300
	<u>\$11,395,000</u>	<u>\$1,205,000</u>	<u>\$755,000</u>	<u>\$9,356,250</u>	<u>\$22,711,250</u>

**Note 18 - Fund Balance**

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

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Nonspendable for:					
Materials and Supplies					
Inventory	\$44,001	\$0	\$0	\$3,301	\$47,302
Prepaid Items	8,697	0	0	0	8,697
Total Nonspendable	<u>52,698</u>	<u>0</u>	<u>0</u>	<u>3,301</u>	<u>55,999</u>

(continued)

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

**Note 18 - Fund Balance** (continued)

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$105,656	\$105,656
Building Construction	0	0	0	49,835	49,835
Bus Purchase	2,170	0	0	0	2,170
Debt Retirement	0	985,745	0	0	985,745
Education Management Information Systems	0	0	0	2,507	2,507
Food Service Operations	0	0	0	389,196	389,196
School Facilities Maintenance	0	0	0	845,322	845,322
<b>Total Restricted</b>	<b>2,170</b>	<b>985,745</b>	<b>0</b>	<b>1,392,516</b>	<b>2,380,431</b>
Committed for:					
Building Construction	0	0	1,060,180	0	1,060,180
Assigned for:					
Educational Activities	14,980	0	0	0	14,980
Extracurricular Activities	7,061	0	0	0	7,061
Projected Budget Shortage	114,430	0	0	0	114,430
Unpaid Obligations	9,918	0	0	0	9,918
<b>Total Assigned</b>	<b>146,389</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>146,389</b>
Unassigned (Deficit)	5,858,522	0	0	(201,949)	5,656,573
<b>Total Fund Balance</b>	<b>\$6,059,779</b>	<b>\$985,745</b>	<b>\$1,060,180</b>	<b>\$1,193,868</b>	<b>\$9,299,572</b>

**Note 19 - Set Asides**

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

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

---

**Note 19 - Set Asides** (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2017.

	Capital Improvements
Balance June 30, 2016	\$0
Current Year Set Aside Requirement	321,225
Current Year Offsets	(321,225)
Balance June 30, 2017	\$0

**Note 20 - Jointly Governed Organizations**

**A. Metropolitan Educational Technology Association**

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Athens, Crawford, Delaware, Erie, Franklin, Knox, Licking, Lorain, Marion, Morrow, Muskingum, Union, and Wyandot Counties. The 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 school districts. The governing board of META consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2017, the School District paid \$36,326 to META for various services. Financial information can be obtained from META, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**B. Tri-Rivers Joint Vocational School**

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**C. Metropolitan Educational Council**

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of school districts, libraries, and related agencies. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the participants. The governing board of the MEC consists of one representative from each member. All members must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 CityGate Drive, Columbus, Ohio 43219.

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

---

**Note 21 - Insurance Pool**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 22 - Related Organization**

The Selover Public 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 the Board of Trustees appointed by the Highland 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 serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Selover Public Library, P.O. Box 25, Chesterville, Ohio 43317.

**Note 23 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As a result of the fiscal year 2017 reviews, the School District is due \$521 from ODE. This amount has not been included in the financial statements.

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

---

**Note 23 - Contingencies** (continued)

**C. Litigation**

The School District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District is unable to determine the impact the disposition of this case may have on its financial condition as of the date of the financial statements.



Highland Local 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 Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.07068940%	0.07152490%	0.07557300%	0.07557300%
School District's Proportionate Share of the Net Pension Liability	\$5,173,811	\$4,081,279	\$3,824,707	\$4,494,084
School District's Employee Payroll	\$2,200,021	\$2,158,264	\$2,011,244	\$2,155,656
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	235.17%	189.10%	190.17%	208.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Highland Local 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 Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.06876847%	0.06853702%	0.06882538%	0.06882538%
School District's Proportionate Share of the Net Pension Liability	\$23,018,878	\$18,941,627	\$16,740,714	\$19,941,429
School District's Employee Payroll	\$7,277,479	\$7,114,064	\$7,145,508	\$6,841,615
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	316.30%	266.26%	234.28%	291.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$330,275	\$308,003	\$284,459	\$278,758
Contributions in Relation to the Contractually Required Contribution	<u>(330,275)</u>	<u>(308,003)</u>	<u>(284,459)</u>	<u>(278,758)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,359,107	\$2,200,021	\$2,158,264	\$2,011,244
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$298,343	\$289,701	\$278,887	\$291,036	\$211,508	\$188,518
<u>(298,343)</u>	<u>(289,701)</u>	<u>(278,887)</u>	<u>(291,036)</u>	<u>(211,508)</u>	<u>(188,518)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,155,656	\$2,153,913	\$2,218,671	\$2,149,452	\$2,149,472	\$1,919,738
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,094,685	\$1,018,847	\$995,969	\$928,916
Contributions in Relation to the Contractually Required Contribution	<u>(1,094,685)</u>	<u>(1,018,847)</u>	<u>(995,969)</u>	<u>(928,916)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$7,819,179	\$7,277,479	\$7,114,064	\$7,145,508
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$889,410	\$874,963	\$901,431	\$904,104	\$894,679	\$845,123
<u>(889,410)</u>	<u>(874,963)</u>	<u>(901,431)</u>	<u>(904,104)</u>	<u>(894,679)</u>	<u>(845,123)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,841,615	\$6,730,485	\$6,934,085	\$6,954,646	\$6,882,146	\$6,500,946
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Highland Local School District  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

---

**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new 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 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

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



**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through Ohio Department of Education</b>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	N/A	\$ 49,025
Cash Assistance			
School Breakfast Program	10.553	N/A	88,134
National School Lunch Program	10.555	N/A	307,036
Cash Assistance Subtotal			<u>395,170</u>
Total Child Nutrition Cluster			<u>444,195</u>
Total U.S. Department of Agriculture			<u><b>444,195</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Passed Through Ohio Department of Education</b>			
Title I Grants to Local Educational Agencies	84.010	N/A	461,262
Improving Teacher Quality	84.367	N/A	40,242
Special Education Cluster (IDEA)			
Special Education Grants to States (IDEA, Part B)	84.027	N/A	309,073
Special Education Preschool Grants (IDEA)	84.173	N/A	2,972
Total Special Education Cluster (IDEA)			<u>312,045</u>
Total Passed Through Ohio Department of Education			<u>813,549</u>
Total U.S. Department of Education			<u><b>813,549</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$1,257,744</b></u>

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

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Highland Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Highland Local School District  
Morrow County  
6506 State Route 229  
Marengo, Ohio 43334

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highland Local School District, Morrow County, Ohio (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 19, 2018.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 19, 2018



# Dave Yost • Auditor of State

## 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

Highland Local School District  
Morrow County  
6506 State Route 229  
Marengo, Ohio 43334

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

We have audited Highland Local School District's, Morrow County, Ohio (the School 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 the Highland Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on each Major Federal Program***

In our opinion, Highland Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506  
Phone: 614-466-3402 or 800-443-9275

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 19, 2018

**HIGHLAND LOCAL SCHOOL DISTRICT  
MORROW COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Retainage Payable was overstated by a material amount.	Corrective Action Taken and Finding is Fully Corrected	





# Dave Yost • Auditor of State

HIGHLAND LOCAL SCHOOL DISTRICT

MORROW COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 29, 2018