



Dave Yost • Auditor of State

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FYE JUNE 30, 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	22
Statement of Fund Net Position Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds	24
Statement of Cash Flows Proprietary Funds	25
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	26
Notes to the Basic Financial Statements	27

HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FYE JUNE 30, 2017

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Required Supplementary Information	R1
Schedule of the District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System (SERS) of Ohio.....	R2
State Teachers Retirement System (SERS) of Ohio	R3
Schedule of the District Contributions	
School Employees Retirement System (SERS) of Ohio.....	R4
State Teachers Retirement System (SERS) of Ohio	R6
Notes to Required Supplementary Information	R8
Schedule of Expenditures of Federal Awards	67
Notes to the Schedule of Expenditures of Federal Awards	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	71
Schedule of Findings.....	75
Prepared by Management:	
Summary Schedule of Prior Audit Findings	77
Corrective Action Plan	78



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Howland Local School District
Trumbull County
8200 South St. SE
Warren, Ohio 44484

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, Ohio (the District), as of and for the year ended 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 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 February 28, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2018

THIS PAGE INTENTIONALLY LEFT BLANK.

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

As management of the Howland Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net position decreased as a result of a reduction in cash from expenses exceeding revenues and a decrease in capital assets due to current year depreciation and disposals outpacing current year additions coupled with an increase in the net pension liability.
- The capital asset additions for fiscal year 2017 included buildings and improvements, furniture and equipment and vehicles.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- Debt obligations decreased during fiscal year 2017 due to annual general obligation principal payments while increases to the net pension liability were reported.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Proprietary Fund The School District maintains an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. As of January 1, 2016, the School District transitioned to a fully-funded insurance program for medical and dental. The self-insurance fund was utilized to cover premium amounts paid to the new health insurance provider during the first month of the insurance coverage period. The self-insurance fund is being utilized for the transition period to account for any run-off claims dated prior to January 1, 2016. The School District is using the remaining net position from January 1, 2016, to offset reserve requirements.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2017 compared to 2016.

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

Table 1
 Net Position
 Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$25,484,234	\$25,636,404	(\$152,170)
Capital Assets, Net	2,953,850	3,031,100	(77,250)
Total Assets	28,438,084	28,667,504	(229,420)
Deferred Outflows of Resources	8,970,536	3,994,691	4,975,845
Liabilities			
Current Liabilities	3,429,281	3,002,840	(426,441)
Long-Term Liabilities			
Due Within One Year	781,453	799,101	17,648
Due in More Than One Year:			
Net Pension Liability	49,862,818	41,087,468	(8,775,350)
Other Amounts	2,877,417	2,780,189	(97,228)
Total Liabilities	56,950,969	47,669,598	(9,281,371)
Deferred Inflows of Resources			
Property Taxes	16,852,109	16,900,226	48,117
Pension	573,313	3,040,783	2,467,470
Total Deferred Inflows of Resources	17,425,422	19,941,009	2,515,587
Net Position			
Net Investment in Capital Assets	2,953,850	3,031,100	(77,250)
Restricted for:			
Capital Projects	253,787	189,799	63,988
Debt Service	57,628	39,906	17,722
Other Purposes	32,675	145,843	(113,168)
Unclaimed Monies	9,119	6,839	2,280
Unrestricted (Deficit)	(40,274,830)	(38,361,899)	(1,912,931)
Total Net Position	(\$36,967,771)	(\$34,948,412)	(\$2,019,359)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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.

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 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 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.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the 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 *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. 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 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 inflows/outflows.

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

Current assets decreased due to a decrease in cash and cash equivalents from increases in expenditures for instructional and support services. The decrease in capital assets was due to current year depreciation and deletions outpacing additions to capital assets.

Current liabilities increased during fiscal year 2017 due to increases in accrued wages, special termination benefits payable and matured compensated absences payable. Long-term liabilities increased which can be attributed to increases in compensated absences payable and the net pension liability attributed to the School District.

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

Table 2
 Changes in Net Position
 Governmental Activities

	2017	2016	Change
Program Revenues			
Charges for Services and Sales	\$2,703,541	\$2,498,311	\$205,230
Operating Grants and Contributions	3,021,348	3,170,653	(149,305)
Capital Grants and Contributions	60,537	60,901	(364)
<i>Total Program Revenues</i>	<u>5,785,426</u>	<u>5,729,865</u>	<u>55,561</u>
General Revenues			
Property Taxes	16,774,199	16,942,045	(167,846)
Grants and Entitlements	10,352,974	9,971,133	381,841
Unrestricted Contributions	34,090	7,699	26,391
Investment Earnings	30,131	12,923	17,208
Miscellaneous	268,277	387,716	(119,439)
<i>Total General Revenues</i>	<u>27,459,671</u>	<u>27,321,516</u>	<u>138,155</u>
<i>Total Revenues</i>	<u>\$33,245,097</u>	<u>\$33,051,381</u>	<u>\$193,716</u>

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

Table 2
 Changes in Net Position (continued)
 Governmental Activities

	2017	2016	Change
Program Expenses			
Instruction:			
Regular	\$17,176,100	\$15,259,053	(\$1,917,047)
Special	4,027,746	3,356,216	(671,530)
Vocational	269,567	252,958	(16,609)
Student Intervention Services	7,334	51,359	44,025
Support Services			
Pupil	1,691,671	1,582,101	(109,570)
Instructional Staff	1,004,132	830,844	(173,288)
Board of Education	35,145	67,752	32,607
Administration	2,265,528	2,081,374	(184,154)
Fiscal	1,178,499	895,927	(282,572)
Business	356,156	289,987	(66,169)
Operation and Maintenance of Plant	2,995,288	2,905,940	(89,348)
Pupil Transportation	1,776,747	1,834,195	57,448
Central	167,159	134,439	(32,720)
Operation of Non-Instructional Services	422,049	342,452	(79,597)
Operation of Food Services	1,014,145	955,053	(59,092)
Extracurricular Activities	836,003	839,396	3,393
Interest and Fiscal Charges	41,187	46,230	5,043
<i>Total Program Expenses</i>	<u>35,264,456</u>	<u>31,725,276</u>	<u>(3,539,180)</u>
<i>Change in Net Position</i>	(2,019,359)	1,326,105	(3,345,464)
Net Position Beginning of Year	<u>(34,948,412)</u>	<u>(36,274,517)</u>	<u>1,326,105</u>
Net Position End of Year	<u>(\$36,967,771)</u>	<u>(\$34,948,412)</u>	<u>(\$2,019,359)</u>

As can be seen from Table 2, the School District relies heavily upon property taxes and State monies to support its operations. The School District also receives additional grant and entitlement funds to help offset operating costs.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 50 percent of revenues for governmental activities for Howland Local School District in fiscal year 2017 versus 51 percent in fiscal year 2016.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salaries and benefits which increase at set levels every year through negotiated agreements. Total instructional expenses comprise 61 percent of all expenses for fiscal year 2017 compared to 60 percent for fiscal year 2016. Administration, operation and maintenance of plant and pupil transportation make up the largest portions of the expenses, after instructional, as the School District pays for the administrators as well as the upkeep on the facilities and the costs of transporting students.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2017 compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$17,176,100	\$15,238,027	\$15,259,053	\$13,207,816
Special	4,027,746	2,262,476	3,356,216	1,713,319
Vocational	269,567	222,355	252,958	202,890
Student Intervention Services	7,334	6,695	51,359	46,471
Support Services:				
Pupils	1,691,671	1,691,671	1,582,101	1,582,101
Instructional Staff	1,004,132	879,455	830,844	657,566
Board of Education	35,145	35,145	67,752	67,003
Administration	2,265,528	2,254,728	2,081,374	2,066,840
Fiscal	1,178,499	1,176,333	895,927	893,115
Business	356,156	356,156	289,987	289,987
Operation and Maintenance of Plant	2,995,288	2,891,176	2,905,940	2,838,170
Pupil Transportation	1,776,747	1,751,098	1,834,195	1,806,617
Central	167,159	167,159	134,439	134,439
Operation of Non-Instructional Services	422,049	149,784	342,452	(11,209)
Operation of Food Services	1,014,145	139,111	955,053	81,284
Extracurricular Activities	836,003	216,474	839,396	372,772
Interest and Fiscal Charges	41,187	41,187	46,230	46,230
Total	\$35,264,456	\$29,479,030	\$31,725,276	\$25,995,411

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

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

Financial Analysis of the Government's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. Due to increases in revenues from intergovernmental sources and tuition and fees coupled with revenues continuing to outpace expenditures, the general fund had an increase in fund balance.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was lower than the original budget estimate. The change was attributed to a decrease in taxes and intergovernmental as current funding levels became more identifiable.

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

Capital Assets and Long-term Obligations

Capital Assets

Table 4 shows fiscal 2017 balances compared to fiscal 2016.

Table 4
 Capital Assets at June 30
 Governmental Activities

	2017	2016
Land	\$806,570	\$806,570
Buildings and Improvements	1,611,865	1,510,516
Furniture and Equipment	144,342	222,504
Vehicles	391,073	491,510
Total Capital Assets	\$2,953,850	\$3,031,100

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

The decrease in capital assets was due to the current year depreciation and deletions outpacing additional purchases. During fiscal year 2017, the School District had additions to buildings and improvements and made various furniture and equipment and vehicles purchases. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Long-term Obligations

Table 5 below summarizes the School District's long-term obligations.

Table 5
 Outstanding Long-Term Obligations at June 30
 Governmental Activities

	2017	2016
General Obligation Bonds	\$719,100	\$814,980
Net Pension Liability	49,862,818	41,087,468
Compensated Absences	2,939,770	2,764,310
Total	\$53,521,688	\$44,666,758

During fiscal year 2011, the School District issued \$1,390,277 in energy conservation improvement bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the School District's buildings. These bonds bear an annual interest rate of 5.1 percent and are scheduled to mature in fiscal year 2025. The net pension liability represents a liability to employees for pensions. GASB 68 assumes the liability is solely the obligation of the employer. For more information about the School District's long-term obligations, see Note 10 to the basic financial statements.

Current Related Financial Activities

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

Management must continue to diligently plan expenses, staying carefully within the School District's financial forecast. Additional revenues must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon on the life of the levies. The School District puts forth great effort to ensure that the forecast projections remain positive, and in the case where they don't, action can be taken to adjust the path. All of the School District's financial abilities will be needed to meet the challenges of the future.

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

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

Contacting the School District's Financial Management Personnel

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Rhonda Amorganos, Treasurer, Howland Local School District, 8200 South St. SE, Warren, Ohio 44484.

Basic Financial Statements

Howland Local School District

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,456,718
Accounts Receivable	29,191
Intergovernmental Receivable	608,685
Prepaid Items	66,663
Inventory Held for Resale	19,007
Materials and Supplies Inventory	4,256
Taxes Receivable	18,299,714
Nondepreciable Capital Assets	806,570
Depreciable Capital Assets, Net	2,147,280
<i>Total Assets</i>	<u>28,438,084</u>
Deferred Outflows of Resources	
Pension	<u>8,970,536</u>
Liabilities	
Accounts Payable	141,564
Contracts Payable	1,268
Accrued Wages Payable	2,449,524
Intergovernmental Payable	652,255
Accrued Interest Payable	3,152
Special Termination Benefits Payable	52,500
Matured Compensated Absences Payable	129,018
Long-Term Liabilities:	
Due Within One Year	781,453
Due In More Than One Year:	
Net Pension Liability (See Note 16)	49,862,818
Other Amounts	2,877,417
<i>Total Liabilities</i>	<u>56,950,969</u>
Deferred Inflows of Resources	
Property Taxes	16,852,109
Pension	<u>573,313</u>
<i>Total Deferred Inflows of Resources</i>	<u>17,425,422</u>
Net Position	
Net Investment in Capital Assets	2,953,850
Restricted for:	
Capital Projects	253,787
Debt Service	57,628
Other Purposes	32,675
Unclaimed Monies	9,119
Unrestricted (Deficit)	<u>(40,274,830)</u>
<i>Total Net Position</i>	<u><u>(\$36,967,771)</u></u>

See accompanying notes to the basic financial statements

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

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contribution	Capital Grants	Revenue and Changes in Net Position
Governmental Activities:					Governmental Activities
Instruction:					
Regular	\$17,176,100	\$1,334,000	\$552,296	\$51,777	(\$15,238,027)
Special	4,027,746	286,050	1,479,220	0	(2,262,476)
Vocational	269,567	21,655	25,557	0	(222,355)
Student Intervention Services	7,334	639	0	0	(6,695)
Support Services:					
Pupils	1,691,671	0	0	0	(1,691,671)
Instructional Staff	1,004,132	0	124,677	0	(879,455)
Board of Education	35,145	0	0	0	(35,145)
Administration	2,265,528	0	10,800	0	(2,254,728)
Fiscal	1,178,499	0	0	2,166	(1,176,333)
Business	356,156	0	0	0	(356,156)
Operation and Maintenance of Plant	2,995,288	100,902	0	3,210	(2,891,176)
Pupil Transportation	1,776,747	0	22,265	3,384	(1,751,098)
Central	167,159	0	0	0	(167,159)
Operation of Non-Instructional Services	422,049	0	272,265	0	(149,784)
Operation of Food Services	1,014,145	341,845	533,189	0	(139,111)
Extracurricular Activities	836,003	618,450	1,079	0	(216,474)
Interest and Fiscal Charges	41,187	0	0	0	(41,187)
<i>Totals</i>	<u>\$35,264,456</u>	<u>\$2,703,541</u>	<u>\$3,021,348</u>	<u>\$60,537</u>	<u>(29,479,030)</u>

General Revenues

Property Taxes Levied for:

General Purposes	16,209,629
Debt Service	116,053
Capital Outlay	448,517
Grants and Entitlements not Restricted to Specific Programs	10,352,974
Unrestricted Contributions	34,090
Investment Earnings	30,131
Miscellaneous	268,277

Total General Revenues 27,459,671

Change in Net Position (2,019,359)

Net Position Beginning of Year (34,948,412)

Net Position End of Year (\$36,967,771)

See accompanying notes to the basic financial statements

Howland Local School District

Balance Sheet
Governmental Funds
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,944,046	\$484,796	\$6,428,842
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	9,119	0	9,119
Taxes Receivable	17,678,815	620,899	18,299,714
Accounts Receivable	26,890	2,301	29,191
Intergovernmental Receivable	443,052	165,633	608,685
Interfund Receivable	13,819	0	13,819
Prepaid Items	66,663	0	66,663
Inventory Held for Resale	0	19,007	19,007
Materials and Supplies Inventory	0	4,256	4,256
<i>Total Assets</i>	<u>\$24,182,404</u>	<u>\$1,296,892</u>	<u>\$25,479,296</u>
Liabilities			
Accounts Payable	\$45,647	\$95,917	\$141,564
Contracts Payable	436	832	1,268
Accrued Wages Payable	2,277,379	172,145	2,449,524
Interfund Payable	0	13,819	13,819
Intergovernmental Payable	624,566	27,689	652,255
Matured Compensated Absences Payable	111,920	17,098	129,018
<i>Total Liabilities</i>	<u>3,059,948</u>	<u>327,500</u>	<u>3,387,448</u>
Deferred Inflows of Resources			
Property Taxes	16,266,179	585,930	16,852,109
Unavailable Revenue	1,383,560	171,591	1,555,151
<i>Total Deferred Inflows of Resources</i>	<u>17,649,739</u>	<u>757,521</u>	<u>18,407,260</u>
Fund Balances			
Nonspendable	75,782	4,256	80,038
Restricted	0	328,658	328,658
Committed	0	325	325
Assigned	517,758	0	517,758
Unassigned (Deficit)	2,879,177	(121,368)	2,757,809
<i>Total Fund Balances</i>	<u>3,472,717</u>	<u>211,871</u>	<u>3,684,588</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$24,182,404</u>	<u>\$1,296,892</u>	<u>\$25,479,296</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances	\$3,684,588
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,953,850
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	1,405,286
Intergovernmental	<u>149,865</u>
Total	1,555,151
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	18,757
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(3,152)
Special termination benefits payable is not expected to be paid with expendable available financial resources and therefore is not reported in the funds.	(52,500)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Energy Conservation Bonds	(719,100)
Compensated Absences	<u>(2,939,770)</u>
Total	(3,658,870)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Deferred Outflows - Pension	8,970,536
Deferred Inflows - Pension	(573,313)
Net Pension Liability	<u>(49,862,818)</u>
Total	<u>(41,465,595)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$36,967,771)</u></u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$16,210,948	\$568,549	\$16,779,497
Intergovernmental	11,240,658	2,169,366	13,410,024
Interest	30,131	0	30,131
Tuition and Fees	1,642,337	0	1,642,337
Extracurricular Activities	117,007	133,684	250,691
Contributions and Donations	34,090	1,079	35,169
Charges for Services	367,766	341,845	709,611
Rentals	100,902	0	100,902
Miscellaneous	262,277	6,000	268,277
<i>Total Revenues</i>	<u>30,006,116</u>	<u>3,220,523</u>	<u>33,226,639</u>
Expenditures			
Current:			
Instruction:			
Regular	15,118,809	585,045	15,703,854
Special	3,226,674	567,511	3,794,185
Vocational	246,813	0	246,813
Student Intervention Services	7,334	0	7,334
Support Services:			
Pupils	1,612,494	0	1,612,494
Instructional Staff	820,056	133,218	953,274
Board of Education	35,145	0	35,145
Administration	2,085,291	0	2,085,291
Fiscal	1,147,698	0	1,147,698
Business	342,502	0	342,502
Operation and Maintenance of Plant	2,836,528	0	2,836,528
Pupil Transportation	1,557,449	0	1,557,449
Central	167,159	0	167,159
Operation of Non-Instructional Services	7,866	360,023	367,889
Operation of Food Services	0	971,355	971,355
Extracurricular Activities	624,802	157,772	782,574
Capital Outlay	0	445,366	445,366
Debt Service:			
Principal Retirement	0	95,880	95,880
Interest and Fiscal Charges	0	41,607	41,607
<i>Total Expenditures</i>	<u>29,836,620</u>	<u>3,357,777</u>	<u>33,194,397</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>169,496</u>	<u>(137,254)</u>	<u>32,242</u>
Other Financing Sources (Uses)			
Transfers In	0	1,070	1,070
Transfers Out	(1,070)	0	(1,070)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,070)</u>	<u>1,070</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	168,426	(136,184)	32,242
<i>Fund Balances Beginning of Year</i>	<u>3,304,291</u>	<u>348,055</u>	<u>3,652,346</u>
<i>Fund Balances End of Year</i>	<u>\$3,472,717</u>	<u>\$211,871</u>	<u>\$3,684,588</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds	\$32,242
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Asset Additions	525,309
Current Year Depreciation	<u>(514,237)</u>
Total	11,072
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(88,322)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	(5,298)
Intergovernmental	<u>23,756</u>
Total	18,458
Repayment of long-term obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	
	95,880
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	420
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated Absences	(175,460)
Special Termination Benefits	<u>(52,500)</u>
Total	(227,960)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	2,453,565
Except for amounts reported deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	(3,785,600)
The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	
	<u>(529,114)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$2,019,359)</u></u>

See accompanying notes to the basic financial statements

Howland 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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$16,293,990	\$16,220,648	\$16,220,648	\$0
Intergovernmental	10,953,969	10,909,011	10,909,011	0
Interest	30,549	30,411	30,411	0
Tuition and Fees	1,647,703	1,640,286	1,640,286	0
Extracurricular Activities	79,491	79,133	79,133	0
Contributions and Donations	8,707	8,669	8,669	0
Charges for Services	342,232	340,692	340,692	0
Rentals	78,041	77,690	77,690	0
Miscellaneous	225,699	224,683	224,683	0
<i>Total Revenues</i>	<u>29,660,381</u>	<u>29,531,223</u>	<u>29,531,223</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	14,603,759	14,924,407	14,924,407	0
Special	3,124,560	3,186,282	3,186,282	0
Vocational	255,982	261,606	261,606	0
Student Intervention Services	7,176	7,334	7,334	0
Support Services:				
Pupils	1,574,706	1,609,302	1,609,302	0
Instructional Staff	723,580	739,476	739,476	0
Board of Education	37,381	38,202	38,202	0
Administration	2,078,279	2,123,940	2,123,940	0
Fiscal	634,796	648,742	648,742	0
Business	340,978	348,469	348,469	0
Operation and Maintenance of Plant	2,872,378	2,935,484	2,935,484	0
Pupil Transportation	1,568,330	1,602,787	1,602,787	0
Central	168,154	171,848	171,848	0
Extracurricular Activities	600,328	613,518	613,518	0
<i>Total Expenditures</i>	<u>28,590,387</u>	<u>29,211,397</u>	<u>29,211,397</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,069,994</u>	<u>319,826</u>	<u>319,826</u>	<u>0</u>
Other Financing Sources (Uses)				
Advances In	0	158,397	158,397	0
Transfers In	0	891,427	891,427	0
Transfers Out	(12,801)	(367,997)	(367,997)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(12,801)</u>	<u>681,827</u>	<u>681,827</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,057,193	1,001,653	1,001,653	0
<i>Fund Balance Beginning of Year</i>	4,356,095	4,356,095	4,356,095	0
Prior Year Encumbrances Appropriated	103,188	103,188	103,188	0
<i>Fund Balance End of Year</i>	<u><u>\$5,516,476</u></u>	<u><u>\$5,460,936</u></u>	<u><u>\$5,460,936</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Howland Local School District

Statement of Fund Net Position

Proprietary Fund

June 30, 2017

	Governmental Activity - Internal Service Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$18,757</u>
Net Position	
Unrestricted	<u>\$18,757</u>

See accompanying notes to the basic financial statements

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

	<u>Governmental Activity - Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$13,486</u>
Operating Expenses	
Purchased Services	3,900
Claims	537,536
Other	<u>1,164</u>
<i>Total Operating Expenses</i>	<u>542,600</u>
<i>Change in Net Position</i>	(529,114)
<i>Net Position Beginning of Year</i>	<u>547,871</u>
<i>Net Position End of Year</i>	<u><u>\$18,757</u></u>

See accompanying notes to the basic financial statements

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

	Governmental Activity - Internal Service Fund
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$13,486
Cash Payments to Suppliers for Goods and Services	(3,900)
Cash Payments for Claims	(537,536)
Other Cash Payments	(1,164)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(529,114)
<i>Cash and Cash Equivalents Beginning of Year</i>	547,871
<i>Cash and Cash Equivalents End of Year</i>	\$18,757

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$93,073</u></u>
--	------------------------

Liabilities

Due to Students	<u><u>\$93,073</u></u>
-----------------	------------------------

See accompanying notes to the basic financial statements

Howland 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

Howland Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's six instructional/support facilities staffed by 12 administrators, 189 certified employees and 146 classified employees who provide services to 2,648 students and other community members.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and a public entity pool. These organizations are the Trumbull Career and Technical Center, the Northeast Ohio Management Information Network, the State Support Team Region 5 and the Ohio Schools Benefits Cooperative. These organizations are presented in Notes 11 and 12 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

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

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

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

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

Fund Accounting

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

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

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

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.

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

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

Internal Service Fund The internal service fund accounts for financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance program for employee dental benefits. However, effective January 1, 2016 the School District transitioned to a fully-funded insurance plan for medical and dental. To facilitate the transition the self-insurance fund is being utilized for any run-off claims dated prior to January 1, 2016.

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 therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student managed activities, ski club activities and OHSAA tournament activities.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., 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 and deferred inflows of resources, generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., 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 statements for governmental funds.

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

Basis of Accounting

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

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

accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 16)

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

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

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.

Pensions

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

Cash and Cash Equivalents

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 the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$30,131, of which \$2,272 was assigned from other School District funds.

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

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 by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

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

Inventory

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

Restricted Assets

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

Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives
Building and Improvements	10 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years
Textbooks	6 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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.

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

Internal Activity

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

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

Fund Balance

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

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for instruction, trust and rotary functions and retirement.

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

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

Net Position

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

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

Operating Revenues and Expenses

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

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

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.

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund. Prior to June 30, the Board of Education adopted appropriations which match actual expenditures plus encumbrances and requested a certificate of estimated resources to match actual revenues.

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

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

Note 3 – Accountability

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

<i>Special Revenue Funds:</i>	
Food Service	\$77,412
District Managed Student Activity	1,657
Title IV-B	10,700
Title I	24,498
Title II-A	2,845

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

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

Note 4 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Prepaid Items	\$66,663	\$0	\$66,663
Materials and Supplies Inventory	0	4,256	4,256
Unclaimed Monies	9,119	0	9,119
<i>Total Nonspendable</i>	<u>75,782</u>	<u>4,256</u>	<u>80,038</u>
<i>Restricted for</i>			
Auxiliary Services	0	23,340	23,340
Data and Information Systems	0	21,600	21,600
Student Programs	0	3,098	3,098
Debt Service Payments	0	60,780	60,780
Capital Improvements	0	219,840	219,840
<i>Total Restricted</i>	<u>0</u>	<u>328,658</u>	<u>328,658</u>
<i>Committed to</i>			
Capital Improvements	0	325	325
<i>Assigned to</i>			
Instruction	71,948	0	71,948
Trust and Rotary Functions	3,411	0	3,411
Retirement	233,614	0	233,614
Purchases on Order:			
Instruction	134,325	0	134,325
Support Services	74,460	0	74,460
<i>Total Assigned</i>	<u>517,758</u>	<u>0</u>	<u>517,758</u>
<i>Unassigned (Deficit)</i>	<u>2,879,177</u>	<u>(121,368)</u>	<u>2,757,809</u>
<i>Total Fund Balances</i>	<u><u>\$3,472,717</u></u>	<u><u>\$211,871</u></u>	<u><u>\$3,684,588</u></u>

Note 5 - Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Unreported cash represents amounts received but not included as revenue on the budgetary statements, but which are reported on the operating statements prepared using GAAP.
4. Advances-In are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
6. Budgetary revenues and expenditures of the special trust, uniform school supply, rotary, public school support, and retirement funds are classified to general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

	General
GAAP Basis	\$168,426
Net Adjustment for Revenue Accruals	1,025,921
Beginning Unrecorded Cash	(30,796)
Ending Unrecorded Cash	(21,349)
Perspective Difference:	
Uniform School Supply	(1,306)
Rotary	205
Public School Support	(2,642)
Retirement	1,114,637
Net Adjustment for Expenditure Accruals	(1,150,535)
Advances In	158,397
Encumbrances	(229,305)
Budget Basis	\$1,031,653

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.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations 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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,569,433 of the School District's bank balance of \$3,069,756 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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

times shall be at least one hundred five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred two percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred five percent.

Investments

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Amortized Cost				
STAR Ohio	\$1,814,168	Average 45.5 Days	AAAm	N/A
Fair Value - Level One Inputs				
Money Market Mutual Funds	3,004	Less than 30 Days	AAA	0.08%
Negotiable Certificates of Deposit	<u>1,750,000</u>	More than one year	N/A	49.06%
Total	<u><u>\$3,567,172</u></u>			

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The prior chart identifies the School District's recurring fair value measurements as of June 30, 2017. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

Credit Risk The negotiable certificates of deposit are unrated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAm by Standard and Poor's. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer.

Note 7 – Property Taxes

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

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

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 2016 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 thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2017, was \$41,297 in the general fund and \$1,022 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2016, was \$50,997 in the general fund and \$1,409 in the permanent improvement capital projects fund.

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$514,868,430	98.13%	\$515,341,720	97.98%
Public Utility Personal	9,835,710	1.87	10,599,360	2.02
Total	\$524,704,140	100.00%	\$525,941,080	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$43.95		\$43.85	

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

Note 8 - Receivables

Receivables at June 30, 2017, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Tuition	\$336,709
Title I Grant	117,836
Bureau of Workers Compensation	70,495
Title VI-B Grant	47,797
Foundation Adjustments	30,939
Medicaid	4,909
Total	\$608,685

Note 9 – Capital Assets

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

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable Capital Assets				
Land	\$806,570	\$0	\$0	\$806,570
Depreciable Capital Assets				
Buildings and Improvements	12,055,933	451,371	0	12,507,304
Furniture and Equipment	1,099,216	62,652	(98,778)	1,063,090
Vehicles	2,757,058	11,286	0	2,768,344
Textbooks	753,676	0	0	753,676
<i>Total at Historical Cost</i>	16,665,883	525,309	(98,778)	17,092,414
Less: Accumulated Depreciation				
Buildings and Improvements	(10,545,417)	(350,022)	0	(10,895,439)
Furniture and Equipment	(876,712)	(52,492)	10,456	(918,748)
Vehicles	(2,265,548)	(111,723)	0	(2,377,271)
Textbooks	(753,676)	0	0	(753,676)
<i>Total Accumulated Depreciation</i>	(14,441,353)	(514,237) *	10,456	(14,945,134)
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	2,224,530	11,072	(88,322)	2,147,280
<i>Governmental Activities Capital Assets, Net</i>	\$3,031,100	\$11,072	(\$88,322)	\$2,953,850

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

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$296,215
Support Services	
Operation and Maintenance of Plant	9,266
Pupil Transportation	119,263
Operation of Non-Instructional Services	47,037
Operation of Food Service	2,020
Extracurricular Activities	40,436
Total Depreciation Expense	\$514,237

Note 10 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Series 2010 Energy Conservation Bonds	5.10%	\$1,390,277	2025

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

	Principal Outstanding June 30, 2016	Additions	Deductions	Principal Outstanding June 30, 2017	Amount Due in One Year
General Obligation Debt					
Energy Conservation Bonds	\$814,980	\$0	(\$95,880)	\$719,100	\$95,880
Other Long-term Obligations					
Net Pension Liability:					
STRS	33,806,403	6,836,377	0	40,642,780	0
SERS	7,281,065	1,938,973	0	9,220,038	0
<i>Total Net Pension Liability</i>	41,087,468	8,775,350	0	49,862,818	0
Compensated Absences	2,764,310	878,681	(703,221)	2,939,770	685,573
<i>Total Other Long-term Obligations</i>	43,851,778	9,654,031	(703,221)	52,802,588	685,573
<i>Total Long-Term Liabilities</i>	\$44,666,758	\$9,654,031	(\$799,101)	\$53,521,688	\$781,453

During fiscal year 2011, the School District issued \$1,390,277 in energy conservation improvement bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the School District’s buildings. These bonds bear an annual interest rate of 5.1 percent and are scheduled to mature in fiscal year 2025. The improvements were not capitalized and will not be included in the net investment in capital assets calculation. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement debt service fund.

Compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. For additional information related to the net pension liability see Note 16.

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

The overall debt margin of the School District as of June 30, 2017, was \$46,676,377 with an unvoted debt margin of \$525,941. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30	Energy Conservation Improvement Bonds - Series 2010		
	Principal	Interest	Total
2018	\$95,880	\$36,564	\$132,444
2019	95,880	31,520	127,400
2020	95,880	26,477	122,357
2021	95,880	21,435	117,315
2022	95,880	16,391	112,271
2023 - 2025	239,700	18,912	258,612
Total	<u>\$719,100</u>	<u>\$151,299</u>	<u>\$870,399</u>

Note 11 - Jointly Governed Organizations

Trumbull Career and Technical Center The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Howland Local School District paid \$148,806 to NEOMIN during fiscal year 2017.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

State Support Team Region 5 The State Support Team Region 5 is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

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

The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Howland Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2017. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 7320 N Palmyra Road, Canfield, Ohio 44406.

Note 12 – Public Entity Pools

Insurance Purchasing Pool

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of over 39 members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators and are elected by the members of the OSBC. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants paid an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop-loss insurance coverage through OSBC's third party administrator. The School District participates in the first option. Medical Mutual/Delta Dental is the Administrator of the OSBC. During fiscal year 2017, the School District elected to participate in the joint insurance program for medical and dental coverage.

Note 13 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the School District contracted with Casualty Insurance for the following insurance coverage:

Type of Coverage	Coverage Amount
Property Insurance (\$1,000 deductible)	Replacement Cost
Professional Liability	\$1,000,000/3,000,000
Performance Bonds	20,000
Automotive Liability	1,000,000
Automobile Comprehensive and Collision (\$1,000 deductible)	

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

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

Employee Health Benefits

Effective January 1, 2016, the School District transitioned to a fully-funded insurance program for medical and dental. The self-insurance fund was utilized to cover premium amounts paid to the new health insurance provider during the first month of insurance coverage period. The self-insurance fund is being utilized for the transition period to account for any run-off claims dated prior to January 1, 2016. The School District is using the remaining net position from January 1, 2016, to offset reserve requirements. There is no claims liability reported in the fund at June 30, 2017. In addition, the School District switched insurance providers to Medical Mutual and Delta Dental and joined the Ohio Schools Benefits Cooperative (OSBC) (See Note 12).

The School District pays a monthly premium based on enrollment. Employee premiums are based on a Four-Tier system as follows:

Employee	Employee/ Spouse	Employee/ Children	Family
\$730.19	\$1,044.80	\$1,422.26	\$1,831.38

Changes to the premium are a result of enrollment numbers and claims. The Treasurer’s Secretary downloads the monthly invoices to the fiscal server and notes changes in enrollment on a spreadsheet. The Treasurer then uses the monthly invoice and the prior month’s spreadsheet to reconcile the premium amount due for each month. The Treasurer clones an existing requisition to make the changes in order to create the current month’s purchase order. The Budgetary Clerk then creates an invoice and warrant check, which is then mailed to the OSBC. The Treasurer wishes to convert to online payments via ACH/EFT in the near future.

The same procedure is used for the Dental Plan but the amount of the invoice is paid online via ACH/EFT. The premiums are \$36.14 for Single coverage and \$103.85 for Family coverage.

Potential increases in premiums will be reviewed prior to the January Plan Year renewal every year in September through December.

Worker’s Compensation

The School District pays the State Workers’ Compensation System a premium for employee coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that the State calculates. The School District does not utilize a third party administrator for premium remittance.

Note 14 - Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. Accumulated unused vacation is paid to classified employees and administrators upon termination of employment. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated with no maximum.

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

Upon retirement, certified employees with ten to fifteen years of service can receive payment for up to thirty days, those with sixteen to twenty years can receive up to thirty-three days, those with twenty-one to twenty-five years can receive up to thirty-eight days and those with twenty-six or more years can receive up to forty-two days. These employees will also receive ten percent of any remaining accrued sick leave days. An employee receiving such payment must meet the retirement provisions set by STRS.

Upon retirement, classified employees with ten years of service can receive payment for up to twenty-five days, those with eleven to fifteen years can receive up to thirty-five days, those with sixteen to twenty years can receive up to thirty-eight days, those with twenty-one to twenty-five years can receive up to forty-one days, and those with twenty-six or more years can receive up to forty-five days. These employees will also receive twenty percent of any remaining accrued sick leave days. In addition, employees with ten or more years of service may receive fifty to one hundred percent (five percent is added for each year after ten years) of accumulated sick days upon separation from the School District for reasons other than retirement. An employee receiving such payment must meet the retirement provisions set by SERS.

Life Insurance Benefits

The School District provides life and accidental death and dismemberment insurance to most employees. Coverage in the amount of \$45,000 is provided to all applicable employees. Life insurance coverage is provided through the Dearborn Life Insurance Company.

Retirement Incentive

The School District's Board of Education offered employees participation in a Retirement Incentive program in fiscal year 2017. Participation was open to all employees who were eligible for service retirement under the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) pursuant to O.R.C. 3307.38 and any applicable STRS/SERS regulations. In fiscal year 2017, 7 employees took the retirement incentive equating to \$52,500. The retirement incentive will be paid out as a one-time lump sum payment of \$7,500.

Note 15 - Contingencies

Grants

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

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

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

Litigation

The School District is a party to various legal proceedings seeking damages. The School District's administration is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 16 – 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 already have 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.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 \$563,727 for fiscal year 2017. Of this amount \$43,399 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, 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 one 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 \$1,889,838 for fiscal year 2017. Of this amount \$259,956 is reported as an intergovernmental payable.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.1276015%	0.12232265%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.1259727%</u>	<u>0.12141954%</u>	
Change in Proportionate Share	<u>-0.0016288%</u>	<u>-0.00090311%</u>	
Proportionate Share of the Net Pension Liability	\$9,220,038	\$40,462,780	\$49,682,818
Pension Expense	\$907,044	\$2,878,556	\$3,785,600

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$124,357	\$1,642,164	\$1,766,521
Changes of assumptions	615,488	0	615,488
Net difference between projected and actual earnings on pension plan investments	760,519	3,374,443	4,134,962
School District contributions subsequent to the measurement date	<u>563,727</u>	<u>1,889,838</u>	<u>2,453,565</u>
Total Deferred Outflows of Resources	<u>\$2,064,091</u>	<u>\$6,906,445</u>	<u>\$8,970,536</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$125,759</u>	<u>\$447,554</u>	<u>\$573,313</u>

\$2,453,565 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	\$323,594	\$664,443	\$988,037
2019	323,047	664,442	987,489
2020	509,346	1,959,311	2,468,657
2021	218,618	1,280,857	1,499,475
Total	<u>\$1,374,605</u>	<u>\$4,569,053</u>	<u>\$5,943,658</u>

Actuarial Assumptions - SERS

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

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	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, 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 projection and a five year age 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 men and women. 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.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged 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 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$12,206,757	\$9,220,038	\$6,720,032

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:

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

Inflation	2.75 percent
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 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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
Total	100.00 %	7.61 %

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

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

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	\$54,010,952	\$40,642,780	\$29,365,939

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 School District's NPL is expected to be significant.

Note 17 – 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 non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health 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 coverage. SERS employs two third-party administrator 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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an

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

actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$71,686.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015 were \$71,686, \$65,425 and \$95,930 respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

Note 18 - Set Asides

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

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

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

	Capital Improvements
Set Aside Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	475,273
Current Year Offsets	(502,996)
Qualifying Disbursements	(291,202)
Total	(\$318,925)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2017	\$0

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

Note 19 - Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Governmental Funds	
General	\$229,305
Other Governmental Funds	231,976
<i>Total Governmental Funds</i>	\$461,281

Note 20 - Interfund Balances and Transfers

Interfund balances at June 30, 2017, consist of an interfund receivable/payable of \$13,819 between the general fund and the food service special revenue fund.

Interfund receivables and payables at June 30, 2017, are due to the timing of the receipt of grant monies and monies collected for some programs received by various funds. The general fund provides money to operate the programs until grants and other monies are received and the advances can be repaid. This loan is expected to be repaid in one year.

The general fund transferred \$1,070 to the district managed student activity special revenue fund to help fund athletic events.

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

Note 21 – Change in Accounting Principle

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *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 22 – Tax Abatements

Pursuant to Ohio Revised Code Chapter 5709, Howland Township has established three enterprise zone areas (EZAs) to provide property tax abatements encouraging employment growth within the Township. The School District's property taxes are being reduced by \$45,777 under the agreement by Howland Township, the overlapping government.

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

(This page intentionally left blank.)

Required Supplementary Information

Howland Local School District, Ohio
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	0.1259727%	0.1276015%	0.1294130%	0.1294130%
School District's Proportionate Share of the Net Pension Liability	\$9,220,038	\$7,281,065	\$6,549,518	\$7,695,776
School District's Covered Payroll	\$3,912,243	\$3,841,472	\$3,978,656	\$3,822,008
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.67%	189.54%	164.62%	201.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

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

Howland Local School District, Ohio
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) **

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.12141954%	0.12232265%	0.12349060%	0.12349060%
School District's Proportionate Share of the Net Pension Liability	\$40,642,780	\$33,806,403	\$30,037,188	\$35,780,101
School District's Covered Payroll	\$12,775,671	\$12,762,321	\$12,617,331	\$13,467,615
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.13%	264.89%	238.06%	265.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

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

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

Howland Local School District, Ohio
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	\$563,727	\$547,714	\$506,306	\$551,442
Contributions in Relation to the Contractually Required Contribution	<u>(563,727)</u>	<u>(547,714)</u>	<u>(506,306)</u>	<u>(551,442)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,026,621	\$3,912,243	\$3,841,472	\$3,978,656
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$528,966	\$531,784	\$531,714	\$578,542	\$409,812	\$389,531
(528,966)	(531,784)	(531,714)	(578,542)	(409,812)	(389,531)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,822,008	\$3,953,787	\$4,230,025	\$4,272,833	\$4,164,752	\$3,966,714
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Howland Local School District, Ohio
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	\$1,889,838	\$1,788,594	\$1,786,725	\$1,640,253
Contributions in Relation to the Contractually Required Contribution	<u>(1,889,838)</u>	<u>(1,788,594)</u>	<u>(1,786,725)</u>	<u>(1,640,253)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$13,498,843	\$12,775,671	\$12,762,321	\$12,617,331
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$1,750,790	\$1,747,858	\$1,862,007	\$1,846,312	\$1,794,038	\$1,743,149
(1,750,790)	(1,747,858)	(1,862,007)	(1,846,312)	(1,794,038)	(1,743,149)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,467,615	\$13,445,062	\$14,323,131	\$14,202,400	\$13,800,292	\$13,408,838
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Howland Local School District, Ohio
Notes to 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	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

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

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	N/A	\$ 61,579
Cash Assistance:			
National School Breakfast Program	10.553	050161-3L70-2017	\$ 76,025
National School Lunch Program	10.555	050161-3L60-2017	387,017
Total Cash Assistance:			<u>\$ 463,042</u>
Total Nutrition Cluster/U.S. Department of Agriculture			<u>\$ 524,621</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I:			
Title I Grants to Local Educational Agencies	84.010	050161-3M00-2016	\$ 93,029
Title I Grants to Local Educational Agencies	84.010	050161-3M00-2017	558,832
Total Title I:			<u>\$ 651,861</u>
Special Education:			
Special Education Grants to States (IDEA, Part B)	84.027	050161-3M20-2016	\$ 25,635
Special Education Grants to States (IDEA, Part B)	84.027	050161-3M20-2017	534,145
Total Special Education:			<u>\$ 559,780</u>
Improving Teacher Quality State Grants	84.367	050161-3Y60-2017	74,818
Total U.S. Department of Education			<u>\$ 1,286,459</u>
Total Expenditures of Federal Awards			<u>\$ 1,811,080</u>

The accompanying notes are an integral part of this schedule.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Howland 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 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 entitlement value. The District allocated donated food commodities to the respective programs 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

Howland Local School District
Trumbull County
8200 South St. SE
Warren, Ohio 44484

To the Board of Education;

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 's basic financial statements and have issued our report thereon dated February 28, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the '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 's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 28, 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

Howland Local School District
Trumbull County
8200 South St. SE
Warren, Ohio 44484

To the Board of Education:

Report on Compliance for Major Federal Program

We have audited the Howland Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Howland 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 District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Nutrition Cluster Federal Program

As described in finding 2017-001 in the accompanying schedule of findings, the District did not comply with requirements regarding special tests and provisions applicable to its CFDA#s 10.553 and 10.555 Nutrition Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Nutrition Cluster major Federal Program

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Nutrition Cluster Federal Program* paragraph, the Howland Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Nutrition Cluster Federal Program for the year ended .

Unmodified Opinion on the Other Major Federal Program

In our opinion, Howland Local School District, complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2017.

Other Matters

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2017-001.

Howland Local School District
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
Page 3

The District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 28, 2018

THIS PAGE INTENTIONALLY LEFT BLANK.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Modified – Nutrition Cluster - Special Tests and Provisions Unmodified – Special Education Program
(d)(1)(vi)	Are there any reportable findings under 2 CFR §200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list): Nutrition Cluster Special Education Program	10.553 and 10.555 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

1. Nutrition Cluster Verification Process

Finding Number	2017-001		
CFDA Title and Number	Nutrition Cluster (CFDAs 10.553 and 10.555)		
Federal Award Identification Number / Year	2017		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Special Tests and Provisions		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number? (if repeat)	

NONCOMPLIANCE and MATERIAL WEAKNESS

Part 4 of the Federal Office of Management and Budget (OMB) Compliance Supplement requires that by November 15th of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The verification sample size is based on the total number of approved applications on file on October 1st. 7 CFR sections 245.2, 245.3 and 245.6 set the free and reduced meal levels.

The District was required to perform seven verifications for a total of eleven students according to the verification report, which appears to be in compliance with the guidelines. However, for one application which corresponded to two students, the eligibility status should have been reduced instead of free based on household income. This should have been identified during the verification process, however, no change was made to the eligibility status. All remaining applications verified were properly updated in the Point of Sale System.

The District should ensure that all applications which require an eligibility status change based on the verification procedures are properly updated into the Point of Sale System. This may help ensure the status is correct based on confirmed household income.

Official's Response: See Corrective Action Plan



HOWLAND
LOCAL SCHOOLS

Howland Local Schools

ADMINISTRATIVE OFFICES

8200 South Street S.E., Warren, Ohio 44484

330-856-8200 (Phone) 330-856-8214 (Fax) 330-856-7827 High School Fax

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

Finding Number	Finding Summary	Status	Additional Information
2016-001	Overstatement of Property Taxes Receivable	Corrected	



HOWLAND
LOCAL SCHOOLS

Howland Local Schools

ADMINISTRATIVE OFFICES

8200 South Street S.E., Warren, Ohio 44484

330-856-8200 (Phone) 330-856-8214 (Fax) 330-856-7827 High School Fax

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) FISCAL YEAR END JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The process follows the verification manual set forth by the USDA. All status changes are documented by copy of the POS system reports.	immediately	Rhonda Amorganos



Dave Yost • Auditor of State

HOWLAND LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2018