



Dave Yost • Auditor of State



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# 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, each major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and also GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

### **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 Information*

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, 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

April 8, 2016

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The management's discussion and analysis of the Howland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position of governmental activities increased \$1,586,039 which represents a 4.18% increase from 2014 as restated in Note 3.A.
- General revenues accounted for \$26,897,420 in revenue or 84.69% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,860,599 or 15.31% of total revenues of \$31,758,019.
- The District had \$30,171,980 in expenses related to governmental activities; \$4,860,599 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$26,897,420 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$28,891,030 in revenues and \$27,339,402 in expenditures and other financing uses. During fiscal year 2015, the general fund's fund balance increased \$1,551,628 from (\$309,595) to \$1,242,033.

**Using the Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

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

In the statement of net position and statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental benefits self-insurance. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

***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. These notes to the basic financial statements can be found on pages 29-61 of this report.

***Required Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability. The required supplementary information can be found on pages 63-70 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table on the following page provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<b>Net Position</b>	
	Governmental Activities 2015	Restated Governmental Activities 2014
<b><u>Assets</u></b>		
Current and other assets	\$ 25,605,136	\$ 24,618,504
Capital assets, net	3,218,418	3,247,005
Total assets	28,823,554	27,865,509
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,637,947	2,161,457
Total assets and deferred outflows of resources	31,461,501	30,026,966
<b><u>Liabilities</u></b>		
Current liabilities	3,777,204	3,892,218
Long-term liabilities:		
Due within one year	423,239	313,847
Due within more than one year:		
Net pension liability	36,586,706	43,475,877
Other amounts	3,212,411	3,377,006
Total liabilities	43,999,560	51,058,948
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for the next fiscal year	17,176,705	16,888,820
Pension	6,619,999	-
Total deferred inflows of resources	23,796,704	16,888,820
Total liabilities and deferred inflows of resources	67,796,264	67,947,768
<b><u>Net Position</u></b>		
Investment in capital assets	3,218,418	3,247,005
Restricted	578,901	698,813
Unrestricted (deficit)	(40,132,082)	(41,866,620)
Total net position (deficit)	\$ (36,334,763)	\$ (37,920,802)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(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.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the 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 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 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.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$3,393,618 to (\$37,920,802).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$36,334,763.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

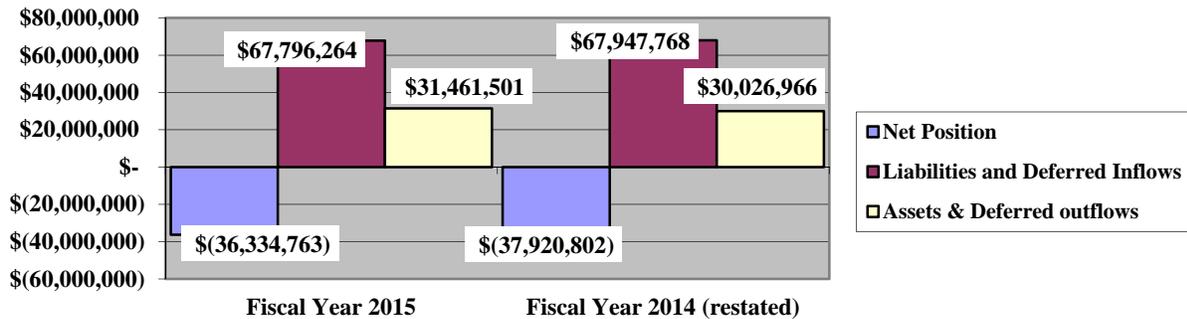
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

At year end, capital assets represented 11.17% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and textbooks. Investment in capital assets at June 30, 2015, was \$3,218,418. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$578,901, represents resources that are subject to external restriction on how they may be used.

The graph below illustrates the District's total assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2015 and 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.

**Governmental Activities**



The table below shows the change in net position for fiscal year 2015 and 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.

**Change in Net Position**

	Governmental Activities 2015	Restated Governmental Activities 2014
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,301,498	\$ 2,216,335
Operating grants and contributions	2,559,101	2,764,091
General revenues:		
Property taxes	16,016,304	17,050,198
Grants and entitlements	10,835,193	9,858,900
Investment earnings	7,022	11,234
Other	38,901	162,243
Total revenues	<u>31,758,019</u>	<u>32,063,001</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Change in Net Position**

	Governmental Activities <u>2015</u>	Restated Governmental Activities <u>2014</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 14,048,998	\$ 14,060,388
Special	3,565,081	4,128,010
Vocational	481,038	355,295
Other	468,252	4,348
Support services:		
Pupil	1,482,772	1,383,115
Instructional staff	502,877	545,682
Board of education	26,869	34,978
Administration	2,021,646	2,265,171
Fiscal	568,520	716,172
Business	295,679	106,053
Operations and maintenance	2,867,544	3,255,032
Pupil transportation	1,699,620	1,545,848
Central	123,201	14,025
Operation of non-instructional services:		
Food service operations	833,651	786,082
Other non-instructional services	369,698	232,606
Extracurricular activities	765,260	706,456
Interest and fiscal charges	<u>51,274</u>	<u>56,266</u>
Total expenses	<u>30,171,980</u>	<u>30,195,527</u>
Change in net position	1,586,039	1,867,474
Net position (deficit) at beginning of year (restated)	<u>(37,920,802)</u>	<u>N/A</u>
Net position (deficit) at end of year	<u>\$ (36,334,763)</u>	<u>\$ (37,920,802)</u>

**Governmental Activities**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,161,457 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,547,369.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 30,171,980
Pension expense under GASB 68	(1,547,369)
2015 contractually required contributions	<u>2,293,031</u>
Adjusted 2015 program expenses	30,917,642
Total 2014 program expenses under GASB 27	<u>30,195,527</u>
Increase in program expenses not related to pension	<u>\$ 722,115</u>

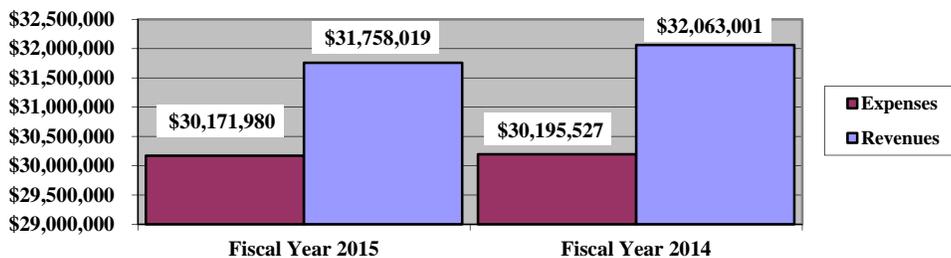
Net position of the District's governmental activities increased \$1,586,039. Total governmental expenses of \$30,171,980 were offset by program revenues of \$4,860,599 and general revenues of \$26,897,420. Program revenues supported 16.11% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 84.55% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$18,563,369 or 61.53% of total governmental expenses for fiscal year 2015.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 and 2014.

**Governmental Activities - Revenues and Expenses**



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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

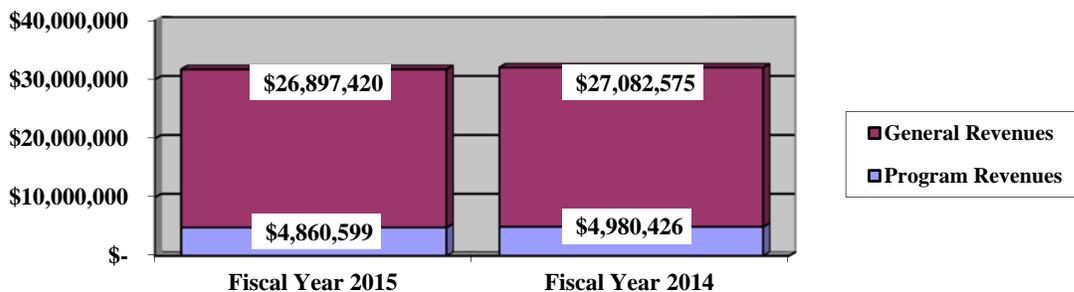
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<b>Governmental Activities</b>			
	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 14,048,998	\$ 12,537,643	\$ 14,060,388	\$ 12,487,401
Special	3,565,081	2,033,960	4,128,010	2,142,470
Vocational	481,038	446,912	355,295	290,898
Other	468,252	116,229	4,348	4,348
Support services:				
Pupil	1,482,772	1,482,589	1,383,115	1,383,115
Instructional staff	502,877	494,544	545,682	504,830
Board of education	26,869	26,869	34,978	34,978
Administration	2,021,646	2,021,646	2,265,171	2,265,171
Fiscal	568,520	568,520	716,172	716,172
Business	295,679	295,679	106,053	106,053
Operations and maintenance	2,867,544	2,801,569	3,255,032	3,232,066
Pupil transportation	1,699,620	1,682,694	1,545,848	1,536,840
Central	123,201	123,201	14,025	14,025
Operation of non-instructional services:				
Food service operations	833,651	58,079	786,082	20,666
Other non-instructional services	369,698	71,621	232,606	(6,497)
Extracurricular activities	765,260	498,352	706,456	426,299
Interest and fiscal charges	<u>51,274</u>	<u>51,274</u>	<u>56,266</u>	<u>56,266</u>
Total expenses	<u>\$ 30,171,980</u>	<u>\$ 25,311,381</u>	<u>\$ 30,195,527</u>	<u>\$ 25,215,101</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 81.53% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.89%.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.

**Governmental Activities - General and Program Revenues**



**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,758,950, which is more than last year's fund balance of \$306,586. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance <u>June 30, 2015</u>	Fund Balance (Deficit) <u>June 30, 2014</u>	Increase (Decrease)	Percentage Change
General	\$ 1,242,033	\$ (309,595)	\$ 1,551,628	501.18 %
Other Governmental	<u>516,935</u>	<u>616,181</u>	<u>(99,246)</u>	(16.11) %
Total	<u>\$ 1,758,968</u>	<u>\$ 306,586</u>	<u>\$ 1,452,382</u>	(473.73) %

**General Fund**

The District's general fund balance increased \$1,551,628.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2015 <u>Amount</u>	2014 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 15,647,275	\$ 16,658,241	\$ (1,010,966)	(6.07) %
Earnings on investments	7,597	11,493	(3,896)	(33.90) %
Tuition	1,528,467	1,478,697	49,770	3.37 %
Intergovernmental	11,384,180	10,565,481	818,699	7.75 %
Other revenues	<u>323,511</u>	<u>401,767</u>	<u>(78,256)</u>	(19.48) %
Total	<u>\$ 28,891,030</u>	<u>\$ 29,115,679</u>	<u>\$ (224,649)</u>	(0.77) %
<b><u>Expenditures</u></b>				
Instruction	\$ 17,409,315	\$ 17,575,173	\$ (165,858)	(0.94) %
Support services	9,249,849	9,115,918	133,931	1.47 %
Non-instructional services	19,079	175	18,904	10,802.29 %
Extracurricular activities	<u>596,159</u>	<u>535,889</u>	<u>60,270</u>	11.25 %
Total	<u>\$ 27,274,402</u>	<u>\$ 27,227,155</u>	<u>\$ 47,247</u>	0.17 %

Overall revenues of the general fund decreased \$224,649 or 0.77%. Earnings on investments decreased \$3,896 or 33.90% from prior fiscal year which can be attributed to the decreased of investment accounts held by the District in fiscal year 2015. Other revenues decreased \$78,256 or 19.48% from prior fiscal year mainly as a result of decreased extracurricular revenue, classroom materials revenue and fees and other local revenues being received.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

The District's expenditures in the general fund increased \$47,247 or 0.17%. Extracurricular activities increased \$60,270 or 11.25% due to the District hiring a new coach. Non-instructional services increased \$18,904 or 10,802.29% due to an increase in fund raiser expenditures. All other revenues and expenditures remain comparable to the prior year.

***General Fund Budgeting Highlights***

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

For fiscal year 2015, the general fund, original budgeted revenues were \$28,272,427 and remained unchanged in the final budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2015 were \$28,692,115. This represents a \$419,688 increase from final budgeted revenues.

General fund original and final appropriations totaled \$28,130,159. The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$27,789,906, which was \$340,253 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the District had \$3,218,418 (net of accumulated depreciation) invested in land, buildings and improvements, furniture and equipment, vehicles and textbooks (which were fully depreciated at June 30, 2015 and June 30, 2014). This entire amount is reported in governmental activities. The following table shows June 30, 2015 balances compared to June 30, 2014:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$ 777,270	\$ 777,270
Building and improvements	1,620,106	1,657,104
Furniture and equipment	217,029	249,586
Vehicles	604,013	563,045
Total	\$ 3,218,418	\$ 3,247,005

The overall decrease in capital assets of \$28,587 is due to depreciation expense of \$356,407 exceeding capital outlays of \$327,820.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2015, the District had \$910,860 in an energy conservation bond. Of this total, \$95,880 is due within one year and \$814,980 is due in greater than one year. The table on the following page summarizes the bonds outstanding.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

**Outstanding Debt, at Year End**

	Governmental Activities <u>2015</u>	Governmental Activities <u>2014</u>
Energy conservation bond	\$ <u>910,860</u>	\$ <u>1,006,740</u>
Total	\$ <u>910,860</u>	\$ <u>1,006,740</u>

At June 30, 2015, the District's overall legal debt margin was \$47,217,865, and an unvoted debt margin of \$524,633.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

With the District facing financial challenges in the future due to State and federal funding reductions, the Board of Education is planning to place an additional tax levy on the ballot in calendar year 2016 elections for an undetermined amount of operating revenue. No additional operating revenue has been generated since 2003. Also since that time, the District has realized a decrease in tax revenue and State funding but has increased its operating costs. The Board will surely need to decide where expenditures can be reduced at the least cost to the education of its students.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Rhonda L. Baldwin-Amorganos, Treasurer, Howland Local School District, 8200 South Street SE. Warren, Ohio 44484-2447.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 6,323,509
Receivables:	
Taxes . . . . .	18,560,552
Accounts . . . . .	5,051
Intergovernmental . . . . .	582,450
Prepayments . . . . .	46,894
Materials and supplies inventory . . . . .	79,037
Inventory held for resale . . . . .	7,643
Capital assets:	
Nondepreciable capital assets . . . . .	777,270
Depreciable capital assets, net . . . . .	2,441,148
Capital assets, net . . . . .	3,218,418
Total assets . . . . .	28,823,554
 <b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	2,075,898
Pension - SERS . . . . .	562,049
Total deferred outflows of resources . . . . .	2,637,947
 <b>Liabilities:</b>	
Accounts payable . . . . .	94,963
Accrued wages and benefits payable . . . . .	2,654,055
Intergovernmental payable . . . . .	121,535
Pension and postemployment benefits payable . . . . .	441,432
Accrued interest payable . . . . .	3,993
Claims payable . . . . .	461,226
Long-term liabilities:	
Due within one year . . . . .	423,239
Due in more than one year:	
Net pension liability . . . . .	36,586,706
Other amounts due in more than one year . . . . .	3,212,411
Total liabilities . . . . .	43,999,560
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	17,176,705
Pension - STRS . . . . .	5,556,994
Pension - SERS . . . . .	1,063,005
Total deferred inflows of resources . . . . .	23,796,704
 <b>Net position:</b>	
Investment in capital assets . . . . .	3,218,418
Restricted for:	
Capital projects . . . . .	556,105
Debt service . . . . .	4,033
Federally funded programs . . . . .	7,837
Student activities . . . . .	10,926
Unrestricted (deficit) . . . . .	(40,132,082)
Total net position (deficit) . . . . .	\$ (36,334,763)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 14,048,998	\$ 1,435,014	\$ 76,341	\$ (12,537,643)
Special . . . . .	3,565,081	189,084	1,342,037	(2,033,960)
Vocational . . . . .	481,038	-	34,126	(446,912)
Other . . . . .	468,252	-	352,023	(116,229)
Support services:				
Pupil . . . . .	1,482,772	-	183	(1,482,589)
Instructional staff . . . . .	502,877	-	8,333	(494,544)
Board of education . . . . .	26,869	-	-	(26,869)
Administration . . . . .	2,021,646	-	-	(2,021,646)
Fiscal . . . . .	568,520	-	-	(568,520)
Business . . . . .	295,679	-	-	(295,679)
Operations and maintenance . . . . .	2,867,544	53,291	12,684	(2,801,569)
Pupil transportation . . . . .	1,699,620	13,390	3,536	(1,682,694)
Central . . . . .	123,201	-	-	(123,201)
Operation of non-instructional services:				
Other non-instructional services . . . . .	369,698	-	298,077	(71,621)
Food service operations . . . . .	833,651	344,102	431,470	(58,079)
Extracurricular activities . . . . .	765,260	266,617	291	(498,352)
Interest and fiscal charges . . . . .	51,274	-	-	(51,274)
<b>Total governmental activities . . . . .</b>	<b>\$ 30,171,980</b>	<b>\$ 2,301,498</b>	<b>\$ 2,559,101</b>	<b>(25,311,381)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				15,481,970
Debt service . . . . .				94,702
Capital outlay . . . . .				439,632
Grants and entitlements not restricted				
to specific programs . . . . .				10,835,193
Investment earnings . . . . .				7,022
Miscellaneous . . . . .				38,901
<b>Total general revenues . . . . .</b>				<b>26,897,420</b>
Change in net position . . . . .				1,586,039
<b>Net position (deficit) at beginning of year (restated)</b>				<b>(37,920,802)</b>
<b>Net position (deficit) at end of year . . . . .</b>				<b>\$ (36,334,763)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 4,004,144	\$ 587,667	\$ 4,591,811
Receivables:			
Taxes . . . . .	17,965,071	595,481	18,560,552
Accounts . . . . .	4,590	461	5,051
Intergovernmental . . . . .	409,963	172,487	582,450
Prepayments . . . . .	46,859	35	46,894
Materials and supplies inventory . . . . .	75,720	3,317	79,037
Inventory held for resale . . . . .	-	7,643	7,643
Total assets . . . . .	<u>\$ 22,506,347</u>	<u>\$ 1,367,091</u>	<u>\$ 23,873,438</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 75,458	\$ 19,505	\$ 94,963
Accrued wages and benefits payable . . . . .	2,495,863	158,192	2,654,055
Compensated absences payable . . . . .	152,662	-	152,662
Intergovernmental payable . . . . .	103,197	18,338	121,535
Pension and postemployment benefits payable . . . . .	401,766	39,666	441,432
Total liabilities . . . . .	<u>3,228,946</u>	<u>235,701</u>	<u>3,464,647</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	16,625,641	551,064	17,176,705
Delinquent property tax revenue not available . . . . .	1,163,147	38,571	1,201,718
Intergovernmental revenue not available . . . . .	246,580	24,820	271,400
Total deferred inflows of resources . . . . .	<u>18,035,368</u>	<u>614,455</u>	<u>18,649,823</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	75,720	3,317	79,037
Prepays . . . . .	46,859	35	46,894
Restricted:			
Debt service . . . . .	-	1,057	1,057
Capital improvements . . . . .	-	524,468	524,468
Non-public schools . . . . .	-	10,768	10,768
Targeted academic assistance . . . . .	-	4,668	4,668
Extracurricular . . . . .	-	10,926	10,926
Committed:			
Capital improvements . . . . .	-	1,225	1,225
Assigned:			
Retirement . . . . .	1,119,764	-	1,119,764
Unassigned (deficit) . . . . .	(310)	(39,529)	(39,839)
Total fund balances . . . . .	<u>1,242,033</u>	<u>516,935</u>	<u>1,758,968</u>
Total liabilities, deferred inflows and fund balances. . . . .	<u>\$ 22,506,347</u>	<u>\$ 1,367,091</u>	<u>\$ 23,873,438</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015

<b>Total governmental fund balances</b>		\$	1,758,968
<i>Amounts reported for governmental activities on 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.			3,218,418
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	1,201,718	
Intergovernmental receivable		271,400	
Total		1,473,118	1,473,118
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 on the statement of net position.			1,270,472
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(3,993)
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 of resources - pension		2,637,947	
Deferred inflows of resources - pension		(6,619,999)	
Net pension liability		(36,586,706)	
Total		(40,568,758)	(40,568,758)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Energy conservation bonds		910,860	
Compensated absences		2,572,128	
Total		(3,482,988)	(3,482,988)
<b>Net position of governmental activities</b>		\$	(36,334,763)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 15,647,275	\$ 548,531	\$ 16,195,806
Tuition . . . . .	1,528,467	-	1,528,467
Transportation fees . . . . .	13,390	-	13,390
Earnings on investments . . . . .	7,597	-	7,597
Charges for services . . . . .	305	345,298	345,603
Extracurricular . . . . .	123,494	131,473	254,967
Classroom materials and fees . . . . .	95,631	-	95,631
Rental income . . . . .	51,790	1,650	53,440
Contributions and donations . . . . .	21,412	5,291	26,703
Other local revenues . . . . .	17,489	10,000	27,489
Intergovernmental - State . . . . .	11,324,927	367,065	11,691,992
Intergovernmental - Federal . . . . .	59,253	1,582,938	1,642,191
Total revenues . . . . .	<u>28,891,030</u>	<u>2,992,246</u>	<u>31,883,276</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	13,966,015	106,682	14,072,697
Special . . . . .	2,879,812	656,424	3,536,236
Vocational . . . . .	480,070	-	480,070
Other . . . . .	83,418	387,712	471,130
Support services:			
Pupil . . . . .	1,486,263	213	1,486,476
Instructional staff . . . . .	481,752	8,637	490,389
Board of education . . . . .	27,029	-	27,029
Administration . . . . .	2,023,441	-	2,023,441
Fiscal . . . . .	592,394	8,563	600,957
Business . . . . .	275,948	22,259	298,207
Operations and maintenance . . . . .	2,679,892	42,369	2,722,261
Pupil transportation . . . . .	1,559,377	155,774	1,715,151
Central . . . . .	123,753	-	123,753
Operation of non-instructional services:			
Other non-instructional services . . . . .	19,079	349,905	368,984
Food service operations . . . . .	-	830,710	830,710
Extracurricular activities . . . . .	596,159	157,798	753,957
Facilities acquisition and construction . . . . .	-	281,872	281,872
Debt service:			
Principal retirement . . . . .	-	95,880	95,880
Interest and fiscal charges . . . . .	-	51,694	51,694
Total expenditures . . . . .	<u>27,274,402</u>	<u>3,156,492</u>	<u>30,430,894</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,616,628</u>	<u>(164,246)</u>	<u>1,452,382</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	65,000	65,000
Transfers (out) . . . . .	(65,000)	-	(65,000)
Total other financing sources (uses) . . . . .	<u>(65,000)</u>	<u>65,000</u>	<u>-</u>
Net change in fund balances . . . . .	1,551,628	(99,246)	1,452,382
<b>Fund balances(deficit) at beginning of year . . . . .</b>	<b>(309,595)</b>	<b>616,181</b>	<b>306,586</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 1,242,033</b>	<b>\$ 516,935</b>	<b>\$ 1,758,968</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<b>Net change in fund balances - total governmental funds</b>	\$	1,452,382
<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.		
Capital asset additions	\$ 327,820	
Current year depreciation	<u>(356,407)</u>	
Total		(28,587)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(179,502)	
Earnings on investments	(575)	
Intergovernmental	<u>55,505</u>	
Total		(124,572)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amount as deferred outflows.		
		2,293,031
Except for amounts reported as deferred inflows/ outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,547,369)
Repayment of bond principal is an expenditure 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, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		81,673
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expense of the internal service fund is allocated among the governmental activities.		
		<u>(636,819)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,586,039</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 15,420,276	\$ 15,420,276	\$ 15,529,835	\$ 109,559
Tuition . . . . .	1,467,913	1,467,913	1,528,467	60,554
Transportation fees . . . . .	3,330	3,330	15,829	12,499
Earnings on investments . . . . .	10,942	10,942	8,177	(2,765)
Extracurricular . . . . .	61,578	61,578	66,022	4,444
Classroom materials and fees . . . . .	82,282	82,282	80,162	(2,120)
Rental income . . . . .	51,375	51,375	51,790	415
Contributions and donations . . . . .	1,225	1,225	-	(1,225)
Other local revenues . . . . .	31,869	31,869	72,403	40,534
Intergovernmental - State . . . . .	10,983,972	10,983,972	11,181,559	197,587
Intergovernmental - Federal . . . . .	2,848	2,848	2,868	20
<b>Total revenues . . . . .</b>	<u>28,117,610</u>	<u>28,117,610</u>	<u>28,537,112</u>	<u>419,502</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	14,456,365	14,456,365	14,229,511	226,854
Special . . . . .	2,794,960	2,794,960	2,912,185	(117,225)
Vocational . . . . .	461,230	461,230	490,879	(29,649)
Other . . . . .	-	-	86,276	(86,276)
Support services:				
Pupil . . . . .	1,494,912	1,494,912	1,506,536	(11,624)
Instructional staff . . . . .	572,085	572,085	524,636	47,449
Board of education . . . . .	48,678	48,678	31,617	17,061
Administration . . . . .	2,049,955	2,049,955	2,038,971	10,984
Fiscal . . . . .	741,908	741,908	724,029	17,879
Business . . . . .	317,657	317,657	284,052	33,605
Operations and maintenance . . . . .	2,755,449	2,755,449	2,679,660	75,789
Pupil transportation . . . . .	1,613,830	1,613,830	1,555,838	57,992
Central . . . . .	163,290	163,290	132,965	30,325
Operations of non-instructional services				
Other non-instructional services . . . . .	10,531	10,531	102	10,429
Extracurricular activities . . . . .	569,290	569,290	527,630	41,660
<b>Total expenditures . . . . .</b>	<u>28,050,140</u>	<u>28,050,140</u>	<u>27,724,887</u>	<u>325,253</u>
Excess of revenues over expenditures . . . . .	67,470	67,470	812,225	744,755
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	154,817	154,817	154,817	-
Refund of prior year's receipts . . . . .	(19)	(19)	(19)	-
Transfers (out) . . . . .	(80,000)	(80,000)	(65,000)	15,000
Sale of capital assets . . . . .	-	-	186	186
<b>Total other financing sources (uses) . . . . .</b>	<u>74,798</u>	<u>74,798</u>	<u>89,984</u>	<u>15,186</u>
Net change in fund balance . . . . .	142,268	142,268	902,209	759,941
<b>Fund balance at beginning of year . . . . .</b>	1,644,040	1,644,040	1,644,040	-
<b>Prior year encumbrances appropriated . . . . .</b>	26,168	26,168	26,168	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,812,476</u>	<u>\$ 1,812,476</u>	<u>\$ 2,572,417</u>	<u>\$ 759,941</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,731,698
Total assets. . . . .	<u>1,731,698</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>461,226</u>
Total liabilities . . . . .	<u>461,226</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>1,270,472</u>
Total net position. . . . .	<u><u>\$ 1,270,472</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities - Internal Service Funds</u>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 3,304,563
Total operating revenues. . . . .	<u>3,304,563</u>
<b>Operating expenses:</b>	
Personal services. . . . .	15,980
Purchased services. . . . .	11,400
Claims . . . . .	<u>3,914,002</u>
Total operating expenses . . . . .	<u>3,941,382</u>
Operating loss/ change in net position . . . . .	<u>(636,819)</u>
<b>Net position at beginning of year. . . . .</b>	<u>1,907,291</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 1,270,472</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities - Internal Service Funds</u>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 3,334,158
Cash payments for personal services. . . . .	(15,980)
Cash payments for contractual services . . . . .	(11,400)
Cash payments for claims . . . . .	<u>(3,848,653)</u>
Net cash used in operating activities . . . . .	<u>(541,875)</u>
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>2,273,573</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 1,731,698</u></u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (636,819)
Changes in assets and liabilities:	
Decrease in accounts receivable. . . . .	29,595
Increase in claims payable. . . . .	<u>65,349</u>
Net cash used in operating activities . . . . .	<u><u>\$ (541,875)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2015

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 66,561
Total assets. . . . .	\$ 66,561
 <b>Liabilities:</b>	
Accounts payable. . . . .	\$ 784
Intergovernmental payable . . . . .	262
Due to students . . . . .	65,515
Total liabilities . . . . .	\$ 66,561

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Howland Local School District (the "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 District provides educational services as authorized by State and Federal agencies. The Board of Education controls the District's six instructional/support facilities staffed by 13 administrators, 129 non-certified and 188 full-time teaching personnel and administrative employees who provide services to 2,855 students and other community members.

The District was established in 1804 through the consolidation of existing land areas and school districts and is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The District serves an area of approximately 20 square miles. It is located in Trumbull County and encompasses Howland Township and portions of the cities of Warren and Niles. The District operates two elementary schools (K-2), two intermediate schools (3-5), one middle school (6-8) and one high school (9-12).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts and a principal and treasurer (non-voting members who must be employed by a participating district, the fiscal agent or NEOMIN). The Howland Local School District was represented on the Governing Board during fiscal year 2014. 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 6000 Youngstown Warren Rd. Niles, OH 44446.

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Ashtabula County Technical and Career Center - The Ashtabula County Technical and Career Center is a fiscally independent political subdivision of the State of Ohio. The District is governed by a seven member Board of Education to provide for the vocational and special education needs of the students. The students of each participating school district may attend classes offered at the vocational facility. Each school district's control is limited to its representation on the advisory board. All revenues are generated from charges for services. Financial information can be obtained by contacting the Treasurer, Mary Ann Wayman, at 1565 State Rt. 167, Jefferson, OH, 44047.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUND*

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

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service fund accounts for medical, prescription, dental and life insurance benefits of the District's employees.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues) and uses (i.e., expenditures) 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.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for services for insurance premiums. Operating expenses for the internal service fund include claims payments.

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, 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 District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

**F. Cash and Investments**

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

During fiscal year 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$7,597, which includes \$1,537 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment accounts at year end is provided in Note 4.

**G. Inventory**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current position.

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

**H. Capital Assets**

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

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

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

Description	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years
Textbooks	6 years

**I. Compensated Absences**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

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

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

**K. Fund Balance**

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally 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 are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the 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 District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**L. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**M. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statement.

**N. Non-Public Schools**

Within the District boundaries, there are various non-public schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District, as directed by the non-public schools. These transactions are reported as a governmental activity of the District.

**O. Estimates**

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

**P. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information which is presented on pages 63 through 70.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ 3,393,618
Deferred outflows - payments subsequent to measurement date	2,161,457
Net pension liability	(43,475,877)
Restated net position at July 1, 2014	\$ (37,920,802)

**B. Deficit Fund Balances**

Fund balances at June 30, 2015 included the following individual fund deficits:

Nonmajor funds	Deficit
Food service	\$ 35,999
Other grants	194
IDEA, Part B	19

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$3,825 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2015, the carrying amount of all District deposits was \$4,373,863. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2015, \$2,332,974 of the District’s bank balance of \$4,410,747 was exposed to custodial risk as discussed below, while \$2,077,773 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 2,012,382</u>	<u>\$ 2,012,382</u>

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

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond requiring the District to invest in securities authorized by State statute.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of total</u>
STAR Ohio	<u>\$ 2,012,382</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,373,863
Investments	2,012,382
Cash on hand	<u>3,825</u>
Total	<u>\$ 6,390,070</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 6,323,509
Agency funds	<u>66,561</u>
Total	<u>\$ 6,390,070</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 65,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$176,593 in the general fund, \$4,607 in the permanent improvement fund (a nonmajor governmental fund) and \$911 in the debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$58,843 in the general fund, \$1,805 in the permanent improvement fund (a nonmajor governmental fund) and \$532 in the debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 521,619,910	98.32	\$ 515,222,390	98.21
Public utility personal	<u>8,938,130</u>	<u>1.68</u>	<u>9,410,420</u>	<u>1.79</u>
Total	<u>\$ 530,558,040</u>	<u>100.00</u>	<u>\$ 524,632,810</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 43.95		\$ 43.95	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2015 consisted of taxes, accounts 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. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 18,560,552
Accounts	5,051
Intergovernmental	<u>582,450</u>
Total	<u>\$ 19,148,053</u>

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

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>06/30/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/15</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 777,270	\$ -	\$ -	\$ 777,270
Total capital assets, not being depreciated	<u>777,270</u>	<u>-</u>	<u>-</u>	<u>777,270</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	12,327,196	104,751	-	12,431,947
Furniture and equipment	876,562	21,245	(6,416)	891,391
Vehicles	2,748,779	201,824	(37,515)	2,913,088
Textbooks	<u>743,742</u>	<u>-</u>	<u>-</u>	<u>743,742</u>
Total capital assets, being depreciated	<u>16,696,279</u>	<u>327,820</u>	<u>(43,931)</u>	<u>16,980,168</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(10,670,092)	(141,749)	-	(10,811,841)
Furniture and equipment	(626,976)	(53,802)	6,416	(674,362)
Vehicles	(2,185,734)	(160,856)	37,515	(2,309,075)
Textbooks	<u>(743,742)</u>	<u>-</u>	<u>-</u>	<u>(743,742)</u>
Total accumulated depreciation	<u>(14,226,544)</u>	<u>(356,407)</u>	<u>43,931</u>	<u>(14,539,020)</u>
Governmental activities capital assets, net	<u>\$ 3,247,005</u>	<u>\$ (28,587)</u>	<u>\$ -</u>	<u>\$ 3,218,418</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 143,889
<u>Support services:</u>	
Fiscal	550
Operations and maintenance	29,597
Pupil transportation	143,188
Operation of non-instructional services	3,704
Extracurricular activities	32,974
Food service operations	<u>2,505</u>
Total depreciation expense	<u>\$ 356,407</u>

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2015, the following changes occurred in governmental activities long-term obligations. The long-term obligation at June 30, 2014 have been restated as described in Note 3.A.

	Restated Balance Outstanding <u>06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/15</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Energy conservation bond	\$ 1,006,740	\$ -	\$ (95,880)	\$ 910,860	\$ 95,880
Net pension liability	43,475,877	-	(6,889,171)	36,586,706	-
Compensated absences	<u>2,684,113</u>	<u>306,002</u>	<u>(265,325)</u>	<u>2,724,790</u>	<u>327,359</u>
Total long-term obligations, governmental activities	<u>\$ 47,166,730</u>	<u>\$ 306,002</u>	<u>\$ (7,250,376)</u>	<u>\$ 40,222,356</u>	<u>\$ 423,239</u>

During fiscal year 2011, the District issued an energy conservation bond to provide for energy improvements to various District buildings. The primary source of repayment of this obligation is through energy savings as a result of the improvements. 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 this liability are recorded as expenditures in the bond retirement fund (a nonmajor governmental fund).

The following is a summary of the District's future debt service requirements to maturity for the energy conservation bond:

Fiscal Year Ended	<u>2011 Energy Conservation Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 95,880	\$ 46,650	\$ 142,530
2017	95,880	41,607	137,487
2018	95,880	36,564	132,444
2019	95,880	31,521	127,401
2020	95,880	26,477	122,357
2021 - 2025	<u>431,460</u>	<u>56,737</u>	<u>488,197</u>
Total	<u>\$ 910,860</u>	<u>\$ 239,556</u>	<u>\$ 1,150,416</u>

Compensated Absences - Compensated absences will be paid from the fund from which the employees' salaries are paid, which consist of the general fund and the following nonmajor governmental funds: food service, auxiliary services, IDEA Part-B and improving teacher quality.

Net Pension Liability - See Note 12 for details.

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$47,217,865, (including available funds of \$912) and an unvoted debt margin of \$524,633.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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 Ohio.

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 District for reasons other than retirement. An employee receiving such payment must meet the retirement provisions set by SERS.

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)**

**B. Insurance**

The District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$45,000 per employee. Life insurance coverage is provided through the Dearborn Life Insurance Company.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Coverage is provided by Casualty Insurance:

<u>Description</u>	<u>Amount</u>
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 and there have been no significant reductions in insurance coverage from the prior year. All employees of the District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

**B. Self Insurance**

Medical, prescription, dental and life insurance are offered to employees through a self-insurance internal service fund. This plan provides a comprehensive major medical/surgical/drug plan with a lifetime maximum per individual of \$2,000,000. The coverage includes annual out-of-pocket limits of \$350 single and \$900 family for network providers and \$750 single and \$1,500 family for non-network providers. A third party administrator, Anthem, located in Youngstown, Ohio, reviews all claims which are then paid by the District. The District purchases stop-loss coverage of \$100,000 per individual. The District pays into the insurance reserve internal service fund \$1,260 for family coverage or \$350 for individual coverage per month which represents the entire premium required for medical/surgical/drug coverage. The premium for dental coverage is \$110 per month. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. The District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 - RISK MANAGEMENT - (Continued)**

The claims liability of \$461,226 reported in the internal service fund at June 30, 2015, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2015	\$ 395,877	\$ 3,914,002	\$ (3,848,653)	\$ 461,226
2014	456,859	3,410,850	(3,471,832)	395,877

**C. Workers’ Compensation**

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

**NOTE 12 - 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 District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$506,306 for fiscal year 2015. Of this amount \$43,102 is reported as pension and postemployment benefits payable.

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

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a 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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,786,725 for fiscal year 2015. Of this amount, \$299,220 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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>
Proportionate share of the net pension liability	\$ 6,549,518	\$ 30,037,188	\$ 36,586,706
Proportion of the net pension liability	0.12941300%	0.12349060%	
Pension expense	\$ 382,208	\$ 1,165,161	\$ 1,547,369

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 55,743	\$ 289,173	\$ 344,916
District contributions subsequent to the measurement date	506,306	1,786,725	2,293,031
Total deferred outflows of resources	\$ 562,049	\$ 2,075,898	\$ 2,637,947
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,063,005	\$ 5,556,994	\$ 6,619,999
Total deferred inflows of resources	\$ 1,063,005	\$ 5,556,994	\$ 6,619,999

\$2,293,031 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	\$ (251,815)	\$ (1,316,956)	\$ (1,568,771)
2017	(251,815)	(1,316,956)	(1,568,771)
2018	(251,815)	(1,316,956)	(1,568,771)
2019	(251,817)	(1,316,953)	(1,568,770)
Total	\$ (1,007,262)	\$ (5,267,821)	\$ (6,275,083)

***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.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 9,344,216	\$ 6,549,518	\$ 4,198,936

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 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 paid on fifth anniversary of retirement date.

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. 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, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 43,001,509	\$ 30,037,188	\$ 19,073,734

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the District's surcharge obligation was \$66,649.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$95,930, \$68,721, and \$80,172, respectively. For fiscal year 2015, 92.39 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

**B. State Teachers Retirement System**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$128,182, and \$134,676 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assigned or committed portion of available fund balance for outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 902,209
Net adjustment for revenue accruals	253,814
Net adjustment for expenditure accruals	(124,722)
Net adjustment for other sources/uses	(154,984)
Funds budgeted elsewhere **	645,808
Adjustment for encumbrances	29,503
GAAP basis	\$ 1,551,628

\*\* Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the entire unclaimed monies fund, special trust fund, public schools support fund, retirement fund, special rotary fund and the uniform school supplies fund.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not involved in material litigation as either plaintiff or defendant.

**C. Foundation Funding**

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	484,767
Current year qualifying expenditures	<u>(484,767)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u>\$ -</u>

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 186,284
Other governmental	<u>213,755</u>
Total	<u>\$ 400,039</u>

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENT**

Effective August 1, 2015, Rhonda Baldwin-Amorganos became the new Treasurer, replacing Jack Pierson.

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REQUIRED SUPPLEMENTARY INFORMATION

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS (1)

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.12941300%	0.12941300%
District's proportionate share of the net pension liability	\$ 6,549,518	\$ 7,695,776
District's covered-employee payroll	\$ 3,760,491	\$ 3,617,652
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.17%	212.73%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to fiscal year 2013 was unavailable.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS (1)

	<b>2014</b>	<b>2013</b>
District's proportion of the net pension liability	0.12349060%	0.12349060%
District's proportionate share of the net pension liability	\$ 30,037,188	\$ 35,780,101
District's covered-employee payroll	\$ 12,617,331	\$ 13,467,615
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.06%	265.68%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

(1) Information prior to fiscal year 2013 was unavailable.

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 506,306	\$ 521,204	\$ 500,683	\$ 502,131
Contributions in relation to the contractually required contribution	<u>(506,306)</u>	<u>(521,204)</u>	<u>(500,683)</u>	<u>(502,131)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,841,472	\$ 3,760,491	\$ 3,617,652	\$ 3,733,316
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 499,566	\$ 546,068	\$ 378,576	\$ 363,351	\$ 386,976	\$ 382,281
<u>(499,566)</u>	<u>(546,068)</u>	<u>(378,576)</u>	<u>(363,351)</u>	<u>(386,976)</u>	<u>(382,281)</u>
<u>\$ -</u>					
\$ 3,974,272	\$ 4,032,999	\$ 3,847,317	\$ 3,700,112	\$ 3,623,371	\$ 3,613,242
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,786,725	\$ 1,640,253	\$ 1,750,790	\$ 1,747,858
Contributions in relation to the contractually required contribution	<u>(1,786,725)</u>	<u>(1,640,253)</u>	<u>(1,750,790)</u>	<u>(1,747,858)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,762,321	\$ 12,617,331	\$ 13,467,615	\$ 13,445,062
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,862,007	\$ 1,846,312	\$ 1,794,038	\$ 1,743,149	\$ 1,792,174	\$ 1,757,121
<u>(1,862,007)</u>	<u>(1,846,312)</u>	<u>(1,794,038)</u>	<u>(1,743,149)</u>	<u>(1,792,174)</u>	<u>(1,757,121)</u>
<u>\$ -</u>					
\$ 14,323,131	\$ 14,202,400	\$ 13,800,292	\$ 13,408,838	\$ 13,785,954	\$ 13,516,315
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2015	10.555	\$ 58,159	\$ 58,159
<i>Cash Assistance:</i>				
National School Lunch Program	2015	10.555	<u>366,168</u>	<u>366,168</u>
Total National School Lunch Program			<u>424,327</u>	<u>424,327</u>
<b>Total U.S. Department of Agriculture</b>			<b>424,327</b>	<b>424,327</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I:				
Title I Grants to Local Education Agencies	2014	84.010	60,083	84,668
	2015	84.010	<u>360,149</u>	<u>325,132</u>
Total Title I			<b>420,232</b>	<b>409,800</b>
Special Education:				
Special Education - Grants to States (IDEA Part B)	2014	84.027	125,141	172,911
	2015	84.027	<u>481,070</u>	<u>512,109</u>
Total Special Education			<b>606,211</b>	<b>685,020</b>
Improving Teacher Quality - State Grants				
	2014	84.367	-	16,510
	2015	84.367	<u>81,865</u>	<u>85,092</u>
Total Improving Teacher Quality - State Grants			<b>81,865</b>	<b>101,602</b>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,108,308</b>	<b>1,196,422</b>
<b>TOTAL</b>			<b><u>\$1,532,635</u></b>	<b><u>\$1,620,749</u></b>

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

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Howland Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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, each major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 8, 2016 wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions –an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2015-001 to be a significant deficiency.

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

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

***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 communication 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

April 8, 2016



# 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 OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the 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) *Circular A-133, Compliance Supplement* that could directly and materially affect the Howland Local School District's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

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

Our responsibility is to opine on the District's compliance for the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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.

***Opinion on Each Major Federal Program***

In our opinion, the Howland Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2015.

***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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

April 8, 2016

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> Special Education Program National School Lunch Program	CFDA 84.027 CFDA 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**Property Taxes Receivable Misstated**

<i>Finding Number</i>	2015-001
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SIGNIFICANT DEFICIENCY

Ohio Administrative Code Chapter 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting.

The control procedures over the review of financial statements failed to recognize the following errors related to property taxes receivable and the corresponding taxes revenue and deferred inflows:

- Taxes receivable were overstated in the General Fund by \$2,408,300 and in the Capital Projects Fund by \$43,798, and understated in the Bond Retirement Fund by \$961.
- Tax revenue was overstated in the General Fund by \$310 and in the Capital Projects Fund by \$182, and understated in the Bond Retirement Fund by \$145.
- Deferred inflows delinquent property taxes were overstated in the General Fund by \$2,043, and Capital Projects Fund by \$1,202.
- Deferred inflows levied for next year were overstated in the General Fund by \$2,405,947, and in the Capital Projects Fund by \$45,182, and understated in the Bond Retirement Fund by \$961.
- The cumulative effect of the aforementioned errors had the following effect on the District's Statement of Net Position: property taxes receivable were overstated by \$2,451,137, property tax revenue was understated by \$138 and deferred inflows for property taxes levied for next year was overstated by \$2,451,275.

This error was caused by the failure to identify and only include the tax component from the County Auditor's amended certificate of estimated resources as part of the District's GAAP conversion.

The District should improve its control procedures to help ensure all amounts are properly presented in the financial statements.

**Official's Response:** No response provided.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# 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  
MAY 12, 2016