



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, the major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Howland Local School District, Trumbull County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

March 31, 2017

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**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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As management of the Howland Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- In total, net position increased as a result of revenues continuing to outpace expenses as the School District works to maintain a positive cash flow while keeping the programs that are important to the community's children.
- The capital asset additions for fiscal year 2016 included the purchase of new vehicles along with increases to furniture and equipment that was needed.
- In fiscal year 2016, the School District did not provide any base increases to wages.
- Debt obligations decreased during fiscal year 2016 due to annual general obligation principal payments while increases to the net pension liability were reported.

**Overview of the Financial Statements**

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

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

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

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

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

**Howland Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

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

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

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

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2016 compared to 2015.

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

**Table 1**  
 Net Position  
 Governmental Activities

	2016	2015	Change
<b>Assets</b>			
Current and Other Assets	\$25,636,404	\$25,605,136	\$31,268
Capital Assets, Net	3,031,100	3,278,664	(247,564)
<b>Total Assets</b>	<b>28,667,504</b>	<b>28,883,800</b>	<b>(216,296)</b>
<b>Deferred Outflows of Resources</b>	<b>3,994,691</b>	<b>2,637,947</b>	<b>1,356,744</b>
<b>Liabilities</b>			
Current Liabilities	3,002,840	3,929,866	927,026
Long-Term Liabilities			
Due Within One Year	799,101	423,239	(375,862)
Due in More Than One Year:			
Net Pension Liability	41,087,468	36,586,706	(4,500,762)
Other Amounts	2,780,189	3,059,749	279,560
<b>Total Liabilities</b>	<b>47,669,598</b>	<b>43,999,560</b>	<b>(3,670,038)</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	16,900,226	17,176,705	276,479
Pension	3,040,783	6,619,999	3,579,216
<b>Total Deferred Inflows of Resources</b>	<b>19,941,009</b>	<b>23,796,704</b>	<b>3,855,695</b>
<b>Net Position</b>			
Net Investment in Capital Assets	3,031,100	3,278,664	(247,564)
Restricted for:			
Capital Projects	189,799	556,105	(366,306)
Debt Service	39,906	4,033	35,873
Other Purposes	145,843	12,380	133,463
Unclaimed Monies	6,839	6,383	456
Unrestricted (Deficit)	(38,361,899)	(40,132,082)	1,770,183
<b>Total Net Position</b>	<b>(\$34,948,412)</b>	<b>(\$36,274,517)</b>	<b>\$1,326,105</b>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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*Management's Discussion and Analysis*  
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**Howland Local School District**  
*Management's Discussion and Analysis*  
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Current assets increased due to an increase in cash and cash equivalents from revenues continuing to outpace expenses in the current fiscal year. The decrease in capital assets was due to current year depreciation outpacing additions to capital assets.

Current liabilities decreased during fiscal year 2016 due to a reduction to claims payable from the School District no longer having claims payable to report from the switch from being self-insured. Accrued wages also decreased as employees retired and were replaced by new staff lower on the wage scale. The School District also did not provide any base increases to wages in fiscal year 2016. Long-term liabilities increased which can be attributed to increases in compensated absences payable and the net pension liability attributed to the School District.

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

**Table 2**  
 Changes in Net Position  
 Governmental Activities

	2016	2015	Change
<b>Program Revenues</b>			
Charges for Services and Sales	\$2,498,311	\$2,301,498	\$196,813
Operating Grants and Contributions	3,170,653	2,559,101	611,552
Capital Grants and Contributions	60,901	0	60,901
<i>Total Program Revenues</i>	<u>5,729,865</u>	<u>4,860,599</u>	<u>869,266</u>
<b>General Revenues</b>			
Property Taxes	16,942,045	16,016,304	925,741
Grants and Entitlements	9,971,133	10,835,193	(864,060)
Unrestricted Contributions	7,699	0	7,699
Investment Earnings	12,923	7,022	5,901
Miscellaneous	387,716	38,901	348,815
<i>Total General Revenues</i>	<u>27,321,516</u>	<u>26,897,420</u>	<u>424,096</u>
<i>Total Revenues</i>	<u>\$33,051,381</u>	<u>\$31,758,019</u>	<u>\$1,293,362</u>

**Howland Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

**Table 2**  
 Changes in Net Position (continued)  
 Governmental Activities

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Program Expenses</b>			
Instruction:			
Regular	\$15,259,053	\$14,517,250	(\$741,803)
Special	3,356,216	3,565,081	208,865
Vocational	252,958	481,038	228,080
Student Intervention Services	51,359	0	(51,359)
Support Services			
Pupil	1,582,101	1,482,772	(99,329)
Instructional Staff	830,844	502,877	(327,967)
Board of Education	67,752	26,869	(40,883)
Administration	2,081,374	2,021,646	(59,728)
Fiscal	895,927	568,520	(327,407)
Business	289,987	295,679	5,692
Operation and Maintenance of Plant	2,905,940	2,867,544	(38,396)
Pupil Transportation	1,834,195	1,699,620	(134,575)
Central	134,439	123,201	(11,238)
Operation of Non-Instructional Services	342,452	369,698	27,246
Operation of Food Services	955,053	833,651	(121,402)
Extracurricular Activities	839,396	765,260	(74,136)
Interest and Fiscal Charges	46,230	51,274	5,044
<i>Total Program Expenses</i>	<u>31,725,276</u>	<u>30,171,980</u>	<u>(1,553,296)</u>
<i>Change in Net Position</i>	1,326,105	1,586,039	(259,934)
Net Position Beginning of Year	<u>(36,274,517)</u>	<u>(37,860,556)</u>	<u>1,586,039</u>
Net Position End of Year	<u>(\$34,948,412)</u>	<u>(\$36,274,517)</u>	<u>\$1,326,105</u>

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

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

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*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 51 percent of revenues for governmental activities for Howland Local School District in fiscal year 2016 versus 50 percent in fiscal year 2015.

Instruction expenses comprise the largest portion of all program expenses for the School District. These expenses pay for teacher salaries and benefits which increase at set levels every year through negotiated agreements. Total instructional expenses comprise 60 percent of all expenses for fiscal year 2016 compared to 62 percent for fiscal year 2015. Administration, operation and maintenance of plant and pupil transportation make up the largest portions of the expenses, after instructional, as the School District pays for the administrators as well as the upkeep on the facilities and the costs of transporting students.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2016 compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$15,259,053	\$13,207,816	\$14,517,250	\$12,653,872
Special	3,356,216	1,713,319	3,565,081	2,033,960
Vocational	252,958	202,890	481,038	446,912
Student Intervention Services	51,359	46,471	0	0
Support Services:				
Pupils	1,582,101	1,582,101	1,482,772	1,482,589
Instructional Staff	830,844	657,566	502,877	494,544
Board of Education	67,752	67,003	26,869	26,869
Administration	2,081,374	2,066,840	2,021,646	2,021,646
Fiscal	895,927	893,115	568,520	568,520
Business	289,987	289,987	295,679	295,679
Operation and Maintenance of Plant	2,905,940	2,838,170	2,867,544	2,801,569
Pupil Transportation	1,834,195	1,806,617	1,699,620	1,682,694
Central	134,439	134,439	123,201	123,201
Operation of Non-Instructional Services	342,452	(11,209)	369,698	71,621
Operation of Food Services	955,053	81,284	833,651	58,079
Extracurricular Activities	839,396	372,772	765,260	498,352
Interest and Fiscal Charges	46,230	46,230	51,274	51,274
<b>Total</b>	<b>\$31,725,276</b>	<b>\$25,995,411</b>	<b>\$30,171,980</b>	<b>\$25,311,381</b>

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

**Financial Analysis of the Government's Funds**

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

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2016, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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

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

**Capital Assets and Long-term Obligations**

*Capital Assets*

Table 4 shows fiscal 2016 balances compared to fiscal 2015.

<b>Table 4</b>		
Capital Assets at June 30		
Governmental Activities		
	2016	2015
Land	\$806,570	\$806,570
Buildings and Improvements	1,510,516	1,837,797
Furniture and Equipment	222,504	186,098
Vehicles	491,510	448,199
Total Capital Assets	\$3,031,100	\$3,278,664

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The decrease in capital assets was due to the current year depreciation outpacing additional purchases. During fiscal year 2016, the School District purchased furniture and equipment along with additional vehicles. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

***Long-term Obligations***

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

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

	2016	2015
General Obligation Bonds	\$814,980	\$910,860
Net Pension Liability	41,087,468	36,586,706
Compensated Absences	2,764,310	2,572,128
Total	\$44,666,758	\$40,069,694

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

**Current Related Financial Activities**

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

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

**Howland Local School District**  
*Management's Discussion and Analysis*  
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*Unaudited*

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

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

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

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# Basic Financial Statements

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## Howland Local School District

### Statement of Net Position

June 30, 2016

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,841,427
Accounts Receivable	473
Intergovernmental Receivable	375,511
Prepaid Items	39,088
Inventory Held for Resale	12,679
Materials and Supplies Inventory	4,010
Taxes Receivable	18,363,216
Nondepreciable Capital Assets	806,570
Depreciable Capital Assets, Net	2,224,530
<i>Total Assets</i>	<u>28,667,504</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>3,994,691</u>
<b>Liabilities</b>	
Accounts Payable	115,327
Contracts Payable	54,190
Accrued Wages Payable	2,296,569
Intergovernmental Payable	465,737
Accrued Interest Payable	3,572
Matured Compensated Absences Payable	67,445
Long-Term Liabilities:	
Due Within One Year	799,101
Due In More Than One Year:	
Net Pension Liability (See Note 16)	41,087,468
Other Amounts	2,780,189
<i>Total Liabilities</i>	<u>47,669,598</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	16,900,226
Pension	<u>3,040,783</u>
<i>Total Deferred Inflows of Resources</i>	<u>19,941,009</u>
<b>Net Position</b>	
Net Investment in Capital Assets	3,031,100
Restricted for:	
Capital Projects	189,799
Debt Service	39,906
Other Purposes	145,843
Unclaimed Monies	6,839
Unrestricted (Deficit)	<u>(38,361,899)</u>
<i>Total Net Position</i>	<u><u>(\$34,948,412)</u></u>

See accompanying notes to the basic financial statements

**Howland Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2016

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contribution	Capital Grants	Revenue and Changes in Net Position
<b>Governmental Activities:</b>					<b>Governmental Activities</b>
Instruction:					
Regular	\$15,259,053	\$1,327,099	\$690,074	\$34,064	(\$13,207,816)
Special	3,356,216	260,222	1,382,675	0	(1,713,319)
Vocational	252,958	23,747	26,321	0	(202,890)
Student Intervention Services	51,359	4,888	0	0	(46,471)
Support Services:					
Pupils	1,582,101	0	0	0	(1,582,101)
Instructional Staff	830,844	0	173,278	0	(657,566)
Board of Education	67,752	0	0	749	(67,003)
Administration	2,081,374	0	10,800	3,734	(2,066,840)
Fiscal	895,927	0	0	2,812	(893,115)
Business	289,987	0	0	0	(289,987)
Operation and Maintenance of Plant	2,905,940	65,261	0	2,509	(2,838,170)
Pupil Transportation	1,834,195	0	10,545	17,033	(1,806,617)
Central	134,439	0	0	0	(134,439)
Operation of Non-Instructional Services	342,452	0	353,661	0	11,209
Operation of Food Services	955,053	350,765	523,004	0	(81,284)
Extracurricular Activities	839,396	466,329	295	0	(372,772)
Interest and Fiscal Charges	46,230	0	0	0	(46,230)
<b>Totals</b>	<b>\$31,725,276</b>	<b>\$2,498,311</b>	<b>\$3,170,653</b>	<b>\$60,901</b>	<b>(25,995,411)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	16,373,442
Debt Service	112,300
Capital Outlay	456,303
Grants and Entitlements not Restricted to Specific Programs	9,971,133
Unrestricted Contributions	7,699
Investment Earnings	12,923
Miscellaneous	387,716

*Total General Revenues* 27,321,516

Change in Net Position 1,326,105

*Net Position Beginning of Year (Restated - See Note 21)* (36,274,517)

*Net Position End of Year* (\$34,948,412)

See accompanying notes to the basic financial statements

**Howland Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2016*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and			
Cash Equivalents	\$5,785,656	\$501,061	\$6,286,717
Restricted Assets:			
Equity in Pooled Cash and			
Cash Equivalents	6,839	0	6,839
Taxes Receivable	17,861,572	501,644	18,363,216
Accounts Receivable	473	0	473
Intergovernmental Receivable	7,094	368,417	375,511
Interfund Receivable	158,397	0	158,397
Prepaid Items	39,088	0	39,088
Inventory Held for Resale	0	12,679	12,679
Materials and Supplies Inventory	0	4,010	4,010
<i>Total Assets</i>	<u>\$23,859,119</u>	<u>\$1,387,811</u>	<u>\$25,246,930</u>
<b>Liabilities</b>			
Accounts Payable	\$67,294	\$48,033	\$115,327
Contracts Payable	19,500	34,690	54,190
Accrued Wages Payable	2,136,359	160,210	2,296,569
Interfund Payable	0	158,397	158,397
Intergovernmental Payable	446,561	19,176	465,737
Matured Compensated Absences Payable	67,445	0	67,445
<i>Total Liabilities</i>	<u>2,737,159</u>	<u>420,506</u>	<u>3,157,665</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	16,437,917	462,309	16,900,226
Unavailable Revenue	1,379,752	156,941	1,536,693
<i>Total Deferred Inflows of Resources</i>	<u>17,817,669</u>	<u>619,250</u>	<u>18,436,919</u>
<b>Fund Balances</b>			
Nonspendable	45,927	4,010	49,937
Restricted	0	369,557	369,557
Committed	0	625	625
Assigned	1,397,805	0	1,397,805
Unassigned (Deficit)	1,860,559	(26,137)	1,834,422
<i>Total Fund Balances</i>	<u>3,304,291</u>	<u>348,055</u>	<u>3,652,346</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$23,859,119</u>	<u>\$1,387,811</u>	<u>\$25,246,930</u>

See accompanying notes to the basic financial statements

**Howland Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2016*

<b>Total Governmental Fund Balances</b>	\$3,652,346
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,031,100
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	1,410,584
Intergovernmental	<u>126,109</u>
Total	1,536,693
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	547,871
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(3,572)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Energy Conservation Bonds	(814,980)
Compensated Absences	<u>(2,764,310)</u>
Total	(3,579,290)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Deferred Outflows - Pension	3,994,691
Deferred Inflows - Pension	(3,040,783)
Net Pension Liability	<u>(41,087,468)</u>
Total	<u>(40,133,560)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$34,948,412)</u></u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$16,163,931	\$569,248	\$16,733,179
Intergovernmental	11,003,072	2,327,478	13,330,550
Interest	12,923	0	12,923
Tuition and Fees	1,615,467	0	1,615,467
Extracurricular Activities	115,190	138,671	253,861
Contributions and Donations	7,699	295	7,994
Charges for Services	210,956	350,765	561,721
Rentals	65,261	2,001	67,262
Miscellaneous	387,716	0	387,716
<i>Total Revenues</i>	<u>29,582,215</u>	<u>3,388,458</u>	<u>32,970,673</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	13,788,538	708,082	14,496,620
Special	2,829,817	578,325	3,408,142
Vocational	269,899	0	269,899
Student Intervention Services	51,359	0	51,359
Support Services:			
Pupils	1,496,287	0	1,496,287
Instructional Staff	587,890	165,871	753,761
Board of Education	59,995	2,328	62,323
Administration	2,005,997	11,604	2,017,601
Fiscal	855,014	8,739	863,753
Business	271,138	0	271,138
Operation and Maintenance of Plant	2,864,926	7,799	2,872,725
Pupil Transportation	1,485,805	52,934	1,538,739
Central	134,439	0	134,439
Operation of Non-Instructional Services	56,306	250,013	306,319
Operation of Food Services	0	924,068	924,068
Extracurricular Activities	604,482	168,265	772,747
Capital Outlay	0	694,844	694,844
Debt Service:			
Principal Retirement	0	95,880	95,880
Interest and Fiscal Charges	0	46,651	46,651
<i>Total Expenditures</i>	<u>27,361,892</u>	<u>3,715,403</u>	<u>31,077,295</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,220,323</u>	<u>(326,945)</u>	<u>1,893,378</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	158,065	158,065
Transfers Out	(158,065)	0	(158,065)
<i>Total Other Financing Sources (Uses)</i>	<u>(158,065)</u>	<u>158,065</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	2,062,258	(168,880)	1,893,378
<i>Fund Balances Beginning of Year</i>	<u>1,242,033</u>	<u>516,935</u>	<u>1,758,968</u>
<i>Fund Balances End of Year</i>	<u>\$3,304,291</u>	<u>\$348,055</u>	<u>\$3,652,346</u>

See accompanying notes to the basic financial statements

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,893,378</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(247,564)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	208,866
Intergovernmental	(128,158)
SERS True-Up	<u>(17,133)</u>
Total	63,575
Repayment of long-term obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	95,880
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	421
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(192,182)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	2,336,308
Except for amounts reported deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,901,110)
The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	<u>(722,601)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$1,326,105</u></u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$16,131,170	\$16,289,217	\$16,289,217	\$0
Intergovernmental	11,060,023	11,168,385	11,168,385	0
Interest	10,462	10,564	10,564	0
Tuition and Fees	1,588,205	1,603,766	1,603,766	0
Extracurricular Activities	67,197	67,855	67,855	0
Contributions and Donations	494	500	500	0
Charges for Services	208,425	210,467	210,467	0
Rentals	64,628	65,261	65,261	0
Miscellaneous	348,249	351,661	350,945	(716)
<i>Total Revenues</i>	<u>29,478,853</u>	<u>29,767,676</u>	<u>29,766,960</u>	<u>(716)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,681,893	14,173,441	14,173,441	0
Special	2,981,773	2,878,510	2,878,510	0
Vocational	269,586	260,250	260,250	0
Student Intervention Services	53,201	51,359	51,359	0
Support Services:				
Pupils	1,611,773	1,555,955	1,555,955	0
Instructional Staff	618,272	596,860	596,860	0
Board of Education	59,416	57,358	57,358	0
Administration	2,157,736	2,083,011	2,083,011	0
Fiscal	749,489	723,533	723,533	0
Business	291,665	281,564	281,564	0
Operation and Maintenance of Plant	2,886,022	2,786,075	2,786,075	0
Pupil Transportation	1,487,878	1,436,351	1,436,351	0
Central	148,803	143,650	143,650	0
Operation of Non-Instructional Services	36,529	35,264	35,264	0
Extracurricular Activities	655,855	633,142	633,142	0
<i>Total Expenditures</i>	<u>28,689,891</u>	<u>27,696,323</u>	<u>27,696,323</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>788,962</u>	<u>2,071,353</u>	<u>2,070,637</u>	<u>(716)</u>
<b>Other Financing Sources (Uses)</b>				
Advances Out	(158,397)	(158,397)	(158,397)	0
Transfers Out	(65,000)	(158,065)	(158,065)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(223,397)</u>	<u>(316,462)</u>	<u>(316,462)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	565,565	1,754,891	1,754,175	(716)
<i>Fund Balance Beginning of Year</i>	2,572,417	2,572,417	2,572,417	0
Prior Year Encumbrances Appropriated	29,503	29,503	29,503	0
<i>Fund Balance End of Year</i>	<u>\$3,167,485</u>	<u>\$4,356,811</u>	<u>\$4,356,095</u>	<u>(\$716)</u>

See accompanying notes to the basic financial statements

**Howland Local School District**

*Statement of Fund Net Position*

*Proprietary Fund*

*June 30, 2016*

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	Governmental Activity - Internal Service Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$547,871</u>
<b>Net Position</b>	
Unrestricted	<u>\$547,871</u>

See accompanying notes to the basic financial statements

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

	<u>Governmental Activity - Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$2,115,275</u>
<b>Operating Expenses</b>	
Purchased Services	4,500
Claims	2,455,218
Other	<u>378,158</u>
<i>Total Operating Expenses</i>	<u>2,837,876</u>
<i>Change in Net Position</i>	(722,601)
<i>Net Position Beginning of Year</i>	<u>1,270,472</u>
<i>Net Position End of Year</i>	<u><u>\$547,871</u></u>

See accompanying notes to the basic financial statements

**Howland Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2016

	Governmental Activity - Internal Service Fund
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services	\$2,115,275
Cash Payments to Suppliers for Goods and Services	(4,500)
Cash Payments for Claims	(2,916,444)
Other Cash Payments	(378,158)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(1,183,827)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,731,698
<i>Cash and Cash Equivalents End of Year</i>	\$547,871
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	(\$722,601)
Increase (Decrease) in Claims Payable	(461,226)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$1,183,827)
 See accompanying notes to the basic financial statements	

**Howland Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2016*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$69,842</u></u>
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**Liabilities**

Due to Students	<u><u>\$69,842</u></u>
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See accompanying notes to the basic financial statements

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's six instructional/support facilities staffed by 13 administrators, 189 certified employees and 135 classified employees who provide services to 2,658 students and other community members.

*Reporting Entity*

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

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

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

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

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

*Basis of Presentation*

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

**Fund Accounting**

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

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

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

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

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

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and School Employees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 16)

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

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.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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***Pensions***

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

***Cash and Cash Equivalents***

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

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$12,923, of which \$2,092 was assigned from other School District funds.

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

***Inventory***

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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***Restricted Assets***

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

***Capital Assets***

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

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

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

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

***Compensated Absences***

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

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

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

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

***Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of the funds. However, claims and judgments 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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

***Internal Activity***

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

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

***Fund Balance***

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

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

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

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

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

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

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

***Net Position***

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

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

***Estimates***

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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***Budgetary Data***

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

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

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

**Note 3 – Accountability**

At June 30, 2016, the title VI-B and title II-A special revenue funds had deficit fund balances in the amounts of \$23,700 and \$2,437, respectively. The special revenue funds' deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

**Note 4 – Fund Balances**

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

**Howland Local School District**  
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Fund Balances	General	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>			
Prepaid Items	\$39,088	\$0	\$39,088
Materials and Supplies Inventory	0	4,010	4,010
Unclaimed Monies	6,839	0	6,839
<b><i>Total Nonspendable</i></b>	<b>45,927</b>	<b>4,010</b>	<b>49,937</b>
<b><i>Restricted for</i></b>			
Food Service Operations	0	14,899	14,899
Athletics	0	14,282	14,282
Auxiliary Services	0	64,129	64,129
Data and Information Systems	0	10,800	10,800
Student Programs	0	70,096	70,096
Debt Service Payments	0	43,478	43,478
Capital Improvements	0	151,873	151,873
<b><i>Total Restricted</i></b>	<b>0</b>	<b>369,557</b>	<b>369,557</b>
<b><i>Committed to</i></b>			
Capital Improvements	0	625	625
<b><i>Assigned to</i></b>			
Instruction	68,000	0	68,000
Trust and Rotary Functions	3,616	0	3,616
Retirement	1,250,849	0	1,250,849
Purchases on Order:			
Instruction	15,302	0	15,302
Support Services	60,038	0	60,038
<b><i>Total Assigned</i></b>	<b>1,397,805</b>	<b>0</b>	<b>1,397,805</b>
<b><i>Unassigned (Deficit)</i></b>	<b>1,860,559</b>	<b>(26,137)</b>	<b>1,834,422</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,304,291</b>	<b>\$348,055</b>	<b>\$3,652,346</b>

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$2,062,258
Net Adjustment for Revenue Accruals	2,752,748
Beginning Unrecorded Cash	(61,965)
Ending Unrecorded Cash	30,796
Perspective Difference:	
Special Trust	3,000
Uniform School Supply	(12,457)
Rotary	1,624
Public School Support	(10,181)
Retirement	118,651
Net Adjustment for Expenditure Accruals	(2,868,714)
Advances Out	(158,397)
Encumbrances	(103,188)
Budget Basis	\$1,754,175

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,830,865 of the School District's bank balance of \$3,976,826 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***Investments***

As of June 30, 2016, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$3,054,621 which is insured at net asset value per share. The average maturity is 49 days.

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

***Credit Risk*** Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Note 7 – Property Taxes**

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

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

Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Howland Local School District**  
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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2016, was \$50,997 in the general fund and \$1,409 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2015, was \$176,593 in the general fund, \$911 in the bond retirement debt service fund and \$4,607 in the permanent improvement capital projects fund.

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

	2015 First Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
	Real Estate	\$515,222,390	98.21%	\$514,868,430
Public Utility Personal	9,410,420	1.79	9,835,710	1.87
<b>Total</b>	<b>\$524,632,810</b>	<b>100.00%</b>	<b>\$524,704,140</b>	<b>100.00%</b>
Full Tax Rate per \$1,000 of assessed valuation	\$43.95		\$43.95	

**Note 8 - Receivables**

Receivables at June 30, 2016, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title VI-B	\$192,295
Title I	176,122
School Employees Retirement System Reimbursement	7,094
<b>Total</b>	<b>\$375,511</b>

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 9 – Capital Assets**

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>Nondepreciable Capital Assets</b>				
Land	\$806,570	\$0	\$0	\$806,570
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	12,055,933	0	0	12,055,933
Furniture and Equipment	1,000,438	98,778	0	1,099,216
Vehicles	2,602,399	154,659	0	2,757,058
Textbooks	753,676	0	0	753,676
<i>Total at Historical Cost</i>	<u>16,412,446</u>	<u>253,437</u>	<u>0</u>	<u>16,665,883</u>
<b>Less: Accumulated Depreciation</b>				
Buildings and Improvements	(10,218,136)	(327,281)	0	(10,545,417)
Furniture and Equipment	(814,340)	(62,372)	0	(876,712)
Vehicles	(2,154,200)	(111,348)	0	(2,265,548)
Textbooks	(753,676)	0	0	(753,676)
<i>Total Accumulated Depreciation</i>	<u>(13,940,352)</u>	<u>(501,001) *</u>	<u>0</u>	<u>(14,441,353)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>2,472,094</u>	<u>(247,564)</u>	<u>0</u>	<u>2,224,530</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$3,278,664</u>	<u>(\$247,564)</u>	<u>\$0</u>	<u>\$3,031,100</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$292,170
Support Services	
Administration	5,537
Operation and Maintenance of Plant	6,697
Pupil Transportation	111,348
Operation of Non-Instructional Services	44,806
Operation of Food Service	1,924
Extracurricular Activities	38,519
Total Depreciation Expense	<u>\$501,001</u>

**Howland Local School District**  
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**Note 10 – Long-Term Obligations**

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

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

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	<u>Principal Outstanding June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Amount Due in One Year</u>
<b>General Obligation Debt</b>					
Energy Conservation Bonds	\$910,860	\$0	(\$95,880)	\$814,980	\$95,880
<b>Other Long-term Obligations</b>					
Net Pension Liability:					
STRS	30,037,188	3,769,215	0	33,806,403	0
SERS	6,549,518	731,547	0	7,281,065	0
<i>Total Net Pension Liability</i>	36,586,706	4,500,762	0	41,087,468	0
Compensated Absences	2,572,128	519,541	(327,359)	2,764,310	703,221
<i>Total Other Long-term Obligations</i>	39,158,834	5,020,303	(327,359)	43,851,778	703,221
<i>Total Long-Term Liabilities</i>	<u>\$40,069,694</u>	<u>\$5,020,303</u>	<u>(\$423,239)</u>	<u>\$44,666,758</u>	<u>\$799,101</u>

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

Compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. The School District pays obligations related to employee compensation from the fund benefitting from their service. See Note 16 for additional information related to the net pension liability.

The overall debt margin of the School District as of June 30, 2016, was \$46,451,871 with an unvoted debt margin of \$524,704. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, are as follows:

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Fiscal Year Ending June 30	Energy Conservation Improvement Bonds - Series 2010		
	Principal	Interest	Total
2017	\$95,880	\$41,607	\$137,487
2018	95,880	36,564	132,444
2019	95,880	31,520	127,400
2020	95,880	26,477	122,357
2021	95,880	21,435	117,315
2022 - 2025	335,580	35,303	370,883
Total	\$814,980	\$192,906	\$1,007,886

**Note 11 - Jointly Governed Organizations**

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

**Northeast Ohio Management Information Network (NEOMIN)** NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Howland Local School District paid \$96,331 to NEOMIN during fiscal year 2016.

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

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

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The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Howland Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2016. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512.

**Note 12 – Public Entity Pools**

*Insurance Purchasing Pool*

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

Participants paid an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop-loss insurance coverage through OSBC’s third party administrator. The School District participates in the first option. Medical Mutual/Delta Dental is the Administrator of the OSBC. During the first half of fiscal year 2016, the School District was self-insured for medical, dental and vision coverage. For the second half of the fiscal year, the School District elected to participate in the joint insurance program for medical and dental coverage.

**Note 13 - Risk Management**

*Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2016, the School District contracted with Casualty Insurance for the following insurance coverage:

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

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

***Employee Health Benefits***

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

The School District pays a monthly premium based on enrollment and plan design (001/Certified and 002/Classified). Employee premiums are based on a Four-Tier system as follows:

	Employee	Employee/ Spouse	Employee/ Children	Family
Plan 001	\$624.49	\$894.55	\$1,218.62	\$1,569.70
Plan 002	\$633.05	\$907.37	\$1,236.58	\$1,593.22

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

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

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

***Worker's Compensation***

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

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**Note 14 - Other Employee Benefits**

***Compensated Absences***

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

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

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

***Life Insurance Benefits***

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

**Note 15 - Contingencies**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

***School Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment

**Howland Local School District**  
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information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

***Litigation***

The School District is not a party to any legal proceedings.

**Note 16 – Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District’s contractually required contribution to SERS was \$547,714 for fiscal year 2016. Of this amount \$44,387 is reported as an intergovernmental payable.

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

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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).

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. 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 year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,788,594 for fiscal year 2016. Of this amount \$185,889 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.12941300%	0.12349060%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.12760150%</u>	<u>0.12232265%</u>	
Change in Proportionate Share	<u>-0.00181150%</u>	<u>-0.00116795%</u>	
Proportionate Share of the Net Pension Liability	\$7,281,065	\$33,806,403	\$41,087,468
Pension Expense	\$435,627	\$1,465,483	\$1,901,110

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$117,238	\$1,541,145	\$1,658,383
School District contributions subsequent to the measurement date	<u>547,714</u>	<u>1,788,594</u>	<u>2,336,308</u>
Total Deferred Outflows of Resources	<u>\$664,952</u>	<u>\$3,329,739</u>	<u>\$3,994,691</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$241,245	\$2,431,320	\$2,672,565
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>81,029</u>	<u>287,189</u>	<u>368,218</u>
Total Deferred Inflows of Resources	<u>\$322,274</u>	<u>\$2,718,509</u>	<u>\$3,040,783</u>

\$2,336,308 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	(\$113,497)	(\$620,465)	(\$733,962)
2018	(113,497)	(620,465)	(733,962)
2019	(114,052)	(620,465)	(734,517)
2020	136,010	684,031	820,041
Total	(\$205,036)	(\$1,177,364)	(\$1,382,400)

**Actuarial Assumptions - SERS**

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

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

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

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

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

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

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

**Howland Local School District**  
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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
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	<u>100.00 %</u>	

**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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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%)
School District's proportionate share of the net pension liability	\$10,096,221	\$7,281,065	\$4,910,472

**Changes Between Measurement Date and Report Date**

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Actuarial Assumptions - STRS**

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

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
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 commences on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$46,959,643	\$33,806,403	\$22,683,376

**Note 17 – Postemployment Benefits**

***School Employees Retirement System***

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. 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 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$65,425.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$65,425, \$95,930, and \$68,721, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$128,182, respectively. The full amount has been contributed for 2014.

**Note 18 - Set Asides**

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

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

	Capital Improvements
Set Aside Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	479,469
Current Year Offsets	(504,325)
Qualifying Disbursements	(258,046)
Total	(\$282,902)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2016	\$0

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 19 - Encumbrances**

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

<b>Governmental Funds</b>	
General	\$103,188
Other Governmental Funds	174,699
<i>Total Governmental Funds</i>	<u><u>\$277,887</u></u>

**Note 20 - Interfund Transactions**

*Interfund Transfers*

The general fund transferred \$105,207 to the food service special revenue fund to support the food service program, \$30,654 to the district managed student activity special revenue fund to help fund athletic events and \$22,204 to the bond retirement debt service fund to support the payment of outstanding debt obligations.

*Interfund Balances*

Interfund balances at June 30, 2016, consist of an interfund receivable/payable between the general fund and the title VI-B special revenue fund in the amount of \$134,497 and the title 1 special revenue fund in the amount of \$23,900. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

**Note 21 – Change in Accounting Principle and Restatement of Net Position**

*Change in Accounting Principle*

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

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

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

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

***Restatement of Net Position***

During fiscal year 2016, the School District performed a School District wide re-evaluation of their capital assets. The results of this re-evaluation adjusted the beginning net position from (\$36,334,763) to (\$36,274,517). This was a change of \$60,246.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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## Required Supplementary Information

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.1276015%	0.1294130%	0.1294130%
School District's Proportionate Share of the Net Pension Liability	\$7,281,065	\$6,549,518	\$7,695,776
School District's Covered-Employee Payroll	\$3,912,243	\$3,841,472	\$3,760,491
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	186.11%	170.50%	204.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

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

	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.12232265%	0.12349060%	0.12349060%
School District's Proportionate Share of the Net Pension Liability	\$33,806,403	\$30,037,188	\$35,780,101
School District's Covered Payroll	\$12,775,671	\$12,617,331	\$13,467,615
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	264.62%	238.06%	265.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$547,714	\$506,306	\$521,204	\$500,683
Contributions in Relation to the Contractually Required Contribution	<u>(547,714)</u>	<u>(506,306)</u>	<u>(521,204)</u>	<u>(500,683)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$3,912,243	\$3,841,472	\$3,760,491	\$3,617,652
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$502,131	\$499,566	\$546,068	\$378,576	\$363,351	\$386,976
<u>(502,131)</u>	<u>(499,566)</u>	<u>(546,068)</u>	<u>(378,576)</u>	<u>(363,351)</u>	<u>(386,976)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,733,316	\$3,974,272	\$4,032,999	\$3,847,317	\$3,700,112	\$3,623,371
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,788,594	\$1,786,725	\$1,640,253	\$1,750,790
Contributions in Relation to the Contractually Required Contribution	<u>(1,788,594)</u>	<u>(1,786,725)</u>	<u>(1,640,253)</u>	<u>(1,750,790)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$12,775,671	\$12,762,321	\$12,617,331	\$13,467,615
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
\$1,747,858	\$1,862,007	\$1,846,312	\$1,794,038	\$1,743,149	\$1,792,174
(1,747,858)	(1,862,007)	(1,846,312)	(1,794,038)	(1,743,149)	(1,792,174)
\$0	\$0	\$0	\$0	\$0	\$0
\$13,445,062	\$14,323,131	\$14,202,400	\$13,800,292	\$13,408,838	\$13,785,954
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
<i>Non-Cash Assistance (Food Distribution):</i>			
<i>National School Lunch Program</i>	2016	10.555	\$ 65,891
<i>Cash Assistance:</i>			
National School Lunch Program	2016	10.555	<u>448,648</u>
Total Nutrition Cluster			<u>514,539</u>
<b>Total U.S. Department of Agriculture</b>			<b>514,539</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Cluster:			
Title I Grants to Local Education Agencies	2015	84.010	42,569
	2016	84.010	<u>612,418</u>
Total Title I Cluster			<b>654,987</b>
Special Education Cluster:			
Special Education - Grants to States (IDEA Part B)	2015	84.027	70,575
	2016	84.027	<u>551,059</u>
Total Special Education Cluster			<b>621,634</b>
Improving Teacher Quality - State Grants	2015	84.367	-
	2016	84.367	<u>78,461</u>
Total Improving Teacher Quality - State Grants			<b>78,461</b>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u>1,355,082</u></b>
<b>TOTAL</b>			<b><u><u>\$1,869,621</u></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 EXPENDITURES  
2 CFR 200.510(b)(6)**

**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at entitlement value. The District allocated donated food commodities to the respective 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, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2017.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

***Compliance and Other Matters***

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

***Entity's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



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

March 31, 2017



# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

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

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

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

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

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

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

***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 each of its major federal programs for the year ended June 30, 2016.

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

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

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

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

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



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

March 31, 2017

**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

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

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

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

**1. Property Tax Receivables Overstated**

<i>Finding Number</i>	2016-001
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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.

**Finding Number 2016-001  
(Continued)**

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

- Taxes receivable were overstated on the Statement of Net Position and in the General Fund by \$2,089,454.
- Deferred inflows levied for next year were overstated on the Statement of Net Position and in the General Fund by \$2,089,454.

This error was caused by the failure to identify and only include the real estate 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:** The Treasurer is in agreement that the amount of Tangible Personal Property (TPP) taxes, which are reimbursed by the State of Ohio, should be subtracted from the overall Property Tax amount. The Treasurer would like it to be noted that the funds are receipted into the General Fund regardless of where they are reported on the Certificate of Estimated Resources.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Property taxes receivable missated	Not corrected	The Treasurer will ensure the amounts are properly stated in subsequent financial statements

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# 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 16, 2017