



**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2017



Dave Yost • Auditor of State

Board of Education
Poland Local School District
3199 Dobbins Rd
Poland, OH 44514

We have reviewed the *Independent Auditor's Report* of the Poland Local School District, Mahoning County, prepared by Canter & Associates, for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Poland Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 30, 2018

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**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Government Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual-General Fund.....	19
Statement of Fiduciary Net Position – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Position – Private Purpose Trust	21
Notes to the Basic Financial Statements.....	22
Required Supplementary Information:	
Schedule of the District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	56
State Teachers Retirement System (STRS) of Ohio	57
Schedule of District Contributions:	
School Employees Retirement System (SERS) of Ohio	58
State Teachers Retirement System (STRS) of Ohio	59
Notes to Required Supplementary Information.....	62
Other Supplemental Data:	
Schedule of Expenditures of Federal Awards For Year Ended June 30, 2017	63
Notes to the Schedule of Expenditures of Federal Awards For Year Ended June 20, 2017	64
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	65
Independent Auditor’s Report on Compliance For the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	67
Schedule of Findings.....	69

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INDEPENDENT AUDITOR'S REPORT

Poland Local School District
Mahoning County
3199 Dobbins Road
Poland, OH 44514

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Poland Local School District, Poland, Ohio, as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with 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 that the management's discussion and analysis, and schedules of net pension liabilities and pension contributions listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Poland Local School District's basic financial statements. The federal awards receipt and expenditures schedule is presented for purposes of 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 also not a required part of the basic financial statements.

The federal awards receipt and expenditures schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the federal awards receipt and expenditures schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the Poland Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 Poland Local School District's internal control over financial reporting and compliance.

CANTER & ASSOCIATES



Poland, Ohio

December 27, 2017

Poland Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position decreased \$358,755, which represents a 2 percent decrease from the prior fiscal year.
- General revenues accounted for \$21,626,193 in revenue or 91 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,060,593 or 9 percent of total revenues of \$23,686,786.
- The District had \$24,045,541 in expenses related to governmental activities; only \$2,060,593 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,626,193 were not quite adequate to provide for these programs, as evidenced by the overall decrease in net position.
- The District's major fund is the general fund. On a modified accrual basis, the general fund had \$21,392,063 in revenues and \$21,241,593 in expenditures, excluding transfers. The general fund balance increased \$68,044 from \$1,539,101 in fiscal year 2016, to \$1,607,145 in fiscal year 2017.
- The District's total net pension liability increased to \$34,960,536 from \$29,544,724. For more information on this liability see Note 15 to the basic financial statements.

Using these Basic Financial Statements

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

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

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the District has only one kind of activity:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and 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 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.

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Table 1 shows net position for fiscal year 2017 as compared to fiscal year 2016.

Table 1
Net Position (Table 1)
Governmental Activities

	2017	2016	Change
Assets			
Current and Other Assets	\$19,452,558	\$19,776,755	(\$324,197)
Capital Assets, Net	12,570,361	12,945,449	(375,088)
<i>Total Assets</i>	<u>32,022,919</u>	<u>32,722,204</u>	<u>(699,285)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	67,085	79,470	(12,385)
Pension - STRS	5,410,381	3,182,095	2,228,286
Pension - SERS	1,579,738	517,348	1,062,390
<i>Total Deferred Outflows of Resources</i>	<u>7,057,204</u>	<u>3,778,913</u>	<u>3,278,291</u>
Liabilities			
Current Liabilities	2,909,786	3,015,650	(105,864)
Long-Term Liabilities			
Due within One Year	903,204	1,539,550	(636,346)
Due in More than One Year - Pension	34,960,536	29,544,724	5,415,812
Due in More than One Year - Other	6,801,395	7,457,230	(655,835)
<i>Total Liabilities</i>	<u>45,574,921</u>	<u>41,557,154</u>	<u>4,017,767</u>
Deferred Inflows of Resources			
Property Taxes	13,751,141	13,738,101	13,040
Pension - STRS	820,790	1,745,920	(925,130)
Pension - SERS	0	167,916	(167,916)
<i>Total Deferred Inflows of Resources</i>	<u>14,571,931</u>	<u>15,651,937</u>	<u>(1,080,006)</u>
Net Position			
Net Investment in Capital Assets	6,085,079	5,206,808	878,271
Restricted	1,203,755	1,416,068	(212,313)
Unrestricted (Deficit)	(28,355,563)	(27,330,850)	(1,024,713)
<i>Total Net Position</i>	<u>(\$21,066,729)</u>	<u>(\$20,707,974)</u>	<u>(\$358,755)</u>

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The net pension liability (NPL) is the largest single liability reported by the District and is reported pursuant to GASB Statement No 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 District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension and subtracting deferred outflows related to pension.

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

Under the standards required by GASB No. 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

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

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

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

In accordance with GASB No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets plus deferred outflows were less than liabilities plus deferred inflows by \$21,066,729. Unrestricted net position at the end of the current fiscal year was a negative \$28,355,563.

At fiscal year-end, capital assets represented 39 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2017, was \$6,085,079. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Restricted net position of \$1,203,755 represents resources that are subject to external restriction on how they may be used.

Table 2
Change in Net Position
Governmental Activities

	2017	2016	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$894,298	\$1,015,957	(\$121,659)
Operating Grants and Contributions	1,166,295	1,035,524	130,771
<i>Total Program Revenues</i>	2,060,593	2,051,481	9,112
General Revenues			
Property Taxes	13,857,884	13,853,989	3,895
Intergovernmental	7,731,864	7,853,167	(121,303)
Investment Earnings	18,987	9,191	9,796
Miscellaneous	17,458	28,830	(11,372)
<i>Total General Revenues</i>	21,626,193	21,745,177	(118,984)
<i>Total Revenues</i>	\$23,686,786	\$23,796,658	(\$109,872)

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Table 2 (continued)
Change in Net Position
Governmental Activities

	2017	2016	Increase (Decrease)
Program Expenses			
Current:			
Instruction:			
Regular	\$10,781,348	\$10,316,983	\$464,365
Special	2,956,423	2,655,584	300,839
Vocational	181,637	121,809	59,828
Adult/Continuing	155,498	195,501	(40,003)
Other	1,353	7,977	(6,624)
Support Services:			
Pupil	1,780,922	1,457,909	323,013
Instructional Staff	438,685	269,218	169,467
Board of Education	129,014	71,983	57,031
Administration	1,693,769	1,669,595	24,174
Fiscal	592,573	620,121	(27,548)
Business	0	1,212	(1,212)
Operation and Maintenance of Plant	2,256,703	2,250,755	5,948
Pupil Transportation	942,655	720,281	222,374
Central	99,405	137,687	(38,282)
Operation of Non-Instructional Services	301,074	269,024	32,050
Operation of Food Services	588,128	681,273	(93,145)
Extracurricular Activities	899,134	953,154	(54,020)
Interest and Fiscal Charges	247,220	297,971	(50,751)
Total Program Expenses	24,045,541	22,698,037	1,347,504
Change in Net Position	(358,755)	1,098,621	(1,457,376)
Net Position (Deficit) Beginning of Year	(20,707,974)	(21,806,595)	1,098,621
Net Position (Deficit) End of Year	(\$21,066,729)	(\$20,707,974)	(\$358,755)

Governmental Activities

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 91 percent of total governmental revenue. Property taxes support 58 percent of total expenses while grants and entitlements supported 32 percent of total expenses. Between these two revenue items, 90 percent of total expenses were funded.

The largest expense of the District is for its instructional programs. Instructional expenses totaled \$14,076,259, or 58 percent, of total governmental expenses of \$24,045,541.

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The Statement of Activities shows the cost of program services and the 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 fiscal year 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Total and Net Cost of Program Services

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$14,076,259	\$13,258,403	\$13,297,854	\$12,897,680
Support Services:				
Pupil	1,780,922	1,689,399	1,457,909	1,312,656
Instructional Staff	438,685	402,128	269,218	260,910
Board of Education	129,014	129,014	71,983	71,983
Administration	1,693,769	1,652,376	1,669,595	1,541,960
Fiscal	592,573	583,326	620,121	610,933
Business	0	0	1,212	1,212
Operation and Maintenance of Plant	2,256,703	2,248,231	2,250,755	2,239,224
Pupil Transportation	942,655	922,463	720,281	584,871
Central	99,405	99,405	137,687	137,687
Operation of Non-Instructional Services	301,074	58,169	269,024	11,778
Food Service Operation	588,128	102,424	681,273	66,732
Extracurricular Activities	899,134	592,390	953,154	610,959
Interest and Fiscal Charges	247,220	247,220	297,971	297,971
<i>Total Expenditures</i>	<u>\$24,045,541</u>	<u>\$21,984,948</u>	<u>\$22,698,037</u>	<u>\$20,646,556</u>

The dependence upon general tax revenues and other general revenues for governmental activities is apparent. Over 89 percent of all District expenses are supported through general revenues. For all governmental activities, general revenue and prior year cash balances support all expenses as shown in the above table. The community, as a whole, is by far the primary support for District students.

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$2,647,365 which is a decrease from last year's total of \$2,703,739 by 2 percent. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Increase (Decrease)
General	\$1,607,145	\$1,539,101	\$68,044
Other Governmental	1,040,220	1,164,638	(124,418)
Total	<u>\$2,647,365</u>	<u>\$2,703,739</u>	<u>(\$56,374)</u>

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

General Fund

During fiscal year 2017, the District's general fund balance increased on a modified accrual basis by \$68,044; total revenues within the general fund increased more than 2 percent and expenditures increased by less than 1 percent, resulting in the slight overall increase to fund balance. The following table assists in illustrating the financial activities and fund balance of the general fund.

	2017 Amount	2016 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$13,280,449	\$12,660,445	4.9 %
Earnings on investments	18,987	9,191	106.6 %
Intergovernmental	7,631,821	7,753,063	(1.6) %
Other revenues	460,806	453,345	1.6 %
Total	\$21,392,063	\$20,876,044	2.5 %
<u>Expenditures</u>			
Instruction	12,519,499	13,172,526	(5.0) %
Support services	7,562,538	6,977,359	8.4 %
Extracurricular activities	543,114	586,258	(7.4) %
Capital outlay	16,402	340,878	n/a %
Debt service	600,040	182,660	228.5 %
Total	\$21,241,593	\$21,259,681	(0.1) %

General Fund Budgeting Highlights

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

During the course of fiscal year 2017 the District amended its General Fund budget as needed.

For the General Fund, actual revenue, excluding other financing sources, was \$21,248,777, which was \$737 less than the final budgeted revenue of \$21,249,514, and was \$594,539 less than the original budget estimate of \$20,654,238. The actual and the final budgeted revenue amounts were higher than the original budget due to a conservative approach for the original budget.

Total actual expenditures, excluding other financing uses, were \$21,241,872, which was \$40,239 more than final appropriations of \$21,201,633, and \$624,381 less than original appropriations. The variance with original appropriations was due to a conservative estimates approach.

Poland Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$12,570,361 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles.

Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	<u>2017</u>	<u>2016</u>
Land	\$304,780	\$304,780
Land Improvements	248,309	319,017
Buildings and Improvements	10,884,108	11,168,119
Furniture, Fixtures and Equipment	951,295	1,070,520
Vehicles	<u>181,869</u>	<u>83,013</u>
<i>Total</i>	<u><u>\$12,570,361</u></u>	<u><u>\$12,945,449</u></u>

All capital assets, except land, are reported net of depreciation. As one can see, the District had an overall decrease in capital assets of \$375,088. The reason for this increase is due to current year additions of \$227,214 being less than current year depreciation of \$602,119 and net disposals of \$183. For more information about the District's capital assets, see Note 9 to the basic financial statements.

Outstanding Obligations

Fund Liabilities

At June 30, 2017, the District had an energy conservation note outstanding in the amount of \$274,537, as compared to \$353,087 at June 30, 2016. The energy conservation note is recorded as a fund liability in permanent improvement capital projects fund. See Note 11 to the basic financial statements for additional information on the District's outstanding note debt.

Long-Term Obligations

The District also had \$1,373,037 in general obligation bonds, \$5,128,587 in lease purchase agreements and \$1,202,975 in compensated absences outstanding at June 30, 2017. Of this total, \$903,204 is due within one year and \$6,801,395 is due in more than one year. The following table summarizes all of the District's outstanding long-term obligations.

Table 5
Outstanding Long-Term Obligations at Year End

	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$1,373,037	\$1,807,060
Lease Purchase Obligations	5,128,587	5,876,680
Compensated Absences	1,202,975	1,313,040
Net Pension Liability	<u>34,960,536</u>	<u>29,544,724</u>
<i>Total</i>	<u><u>\$42,665,135</u></u>	<u><u>\$38,541,504</u></u>

Poland Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)*

See Note 13 to the basic financial statements for additional information on the District's long-term debt obligations.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant revenue is expected to decrease, the reliance upon local taxes is increasingly important. In May 2017, a 5.7 mill emergency levy was renewed by District voters which generates approximately \$2.1M annually. Also in May of 2017, the 1 mill Permanent Improvement Renewal was passed which generates approximately \$380,000 annually. Property taxes account for nearly 60 percent of the District's general fund operating revenue; thus making all levy renewals an urgent matter.

A challenge still facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision and future decisions will have on its future State funding and on its financial operations. Approximately 40 percent of the District's general fund operating revenue is resulted under the current state funding formula.

In fiscal year 2018, the District is in a position to pay off the Series 2005 Bonds four (4) years before maturity. This early redemption will result in approximately \$174,000 in interest savings. Subsequently, District taxpayers will see a reduction of this bond millage on their tax duplicate.

In conclusion, the District has committed itself to financial excellence for many years. The District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Treasurer, Poland Local School District, 3199 Dobbins Road, Poland, Ohio 44514.

Poland Local School District

Mahoning County, Ohio

*Statement of Net Position
June 30, 2017*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,418,306
Accounts Receivable	3,394
Intergovernmental Receivable	43,458
Property Taxes Receivable	13,986,358
Inventory Held for Resale	1,042
Nondepreciable Capital Assets	304,780
Depreciable Capital Assets, Net	12,265,581
<i>Total Assets</i>	<u>32,022,919</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	67,085
Pension:	
STRS	5,410,381
SERS	1,579,738
<i>Total Deferred Outflows of Resources</i>	<u>7,057,204</u>
Liabilities	
Accounts Payable	20,364
Accrued Wages and Benefits Payable	1,991,926
Intergovernmental Payable	511,996
Matured Compensated Absences Payable	90,726
Accrued Interest Payable	20,237
Energy Conservation Note Payable	274,537
Long-Term Liabilities:	
Due Within One Year	903,204
Due In More Than One Year:	
Net Pension Liability (See Note 15)	34,960,536
Other Amounts Due in More than One Year	6,801,395
<i>Total Liabilities</i>	<u>45,574,921</u>
Deferred Inflows of Resources	
Property Taxes	13,751,141
Pension:	
STRS	820,790
SERS	0
<i>Total Deferred Inflows of Resources</i>	<u>14,571,931</u>
Net Position	
Net Investment in Capital Assets	6,085,079
Restricted for:	
Debt Service	1,191,498
Other Purposes	12,257
Unrestricted (Deficit)	(28,355,563)
<i>Total Net Position</i>	<u>(\$21,066,729)</u>

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$10,781,348	\$252,854	\$39,578	(\$10,488,916)
Special	2,956,423	0	493,105	(2,463,318)
Vocational	181,637	0	31,300	(150,337)
Adult/Continuing	155,498	1,019	0	(154,479)
Other	1,353	0	0	(1,353)
Support Services:				
Pupils	1,780,922	0	91,523	(1,689,399)
Instructional Staff	438,685	0	36,557	(402,128)
Board of Education	129,014	0	0	(129,014)
Administration	1,693,769	0	41,393	(1,652,376)
Fiscal	592,573	0	9,247	(583,326)
Operation and Maintenance of Plant	2,256,703	8,472	0	(2,248,231)
Pupil Transportation	942,655	20,192	0	(922,463)
Central	99,405	0	0	(99,405)
Operation of Non-Instructional Services	301,074	0	242,905	(58,169)
Operation of Food Services	588,128	313,036	172,668	(102,424)
Extracurricular Activities	899,134	298,725	8,019	(592,390)
Interest and Fiscal Charges	247,220	0	0	(247,220)
Total Governmental Activities	\$24,045,541	\$894,298	\$1,166,295	(21,984,948)
General Revenues				
Property Taxes Levied for:				
				13,111,305
				322,401
				424,178
Grants and Entitlements not				
				7,731,864
				18,987
				17,458
Total General Revenues				21,626,193
				Change in Net Position (358,755)
				Net Position (Deficit) Beginning of Year (20,707,974)
				Net Position (Deficit) End of Year (\$21,066,729)

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Balance Sheet
Governmental Funds
June 30, 2017*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,950,505	\$1,467,801	\$5,418,306
Accounts Receivable	3,394	0	3,394
Interfund Receivable	22,527	0	22,527
Intergovernmental Receivable	20,931	22,527	43,458
Property Taxes Receivable	13,479,492	506,866	13,986,358
Inventory Held for Resale	0	1,042	1,042
<i>Total Assets</i>	<u>\$17,476,849</u>	<u>\$1,998,236</u>	<u>\$19,475,085</u>
Liabilities			
Accounts Payable	\$19,814	\$550	\$20,364
Accrued Wages and Benefits Payable	1,874,924	117,002	1,991,926
Intergovernmental Payable	479,291	32,705	511,996
Accrued Interest Payable	0	2,286	2,286
Matured Compensated Absences Payable	85,813	4,913	90,726
Interfund Payable	0	22,527	22,527
Energy Conservation Note Payable	0	274,537	274,537
<i>Total Liabilities</i>	<u>2,459,842</u>	<u>454,520</u>	<u>2,914,362</u>
Deferred Inflows of Resources			
Property Taxes	13,255,133	496,008	13,751,141
Unavailable Revenue - Property Taxes	154,729	7,488	162,217
<i>Total Deferred Inflows of Resources</i>	<u>13,409,862</u>	<u>503,496</u>	<u>13,913,358</u>
Fund Balances			
Restricted	0	1,265,996	1,265,996
Assigned	200,575	0	200,575
Unassigned (Deficit)	1,406,570	(225,776)	1,180,794
<i>Total Fund Balances</i>	<u>1,607,145</u>	<u>1,040,220</u>	<u>2,647,365</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$17,476,849</u>	<u>\$1,998,236</u>	<u>\$19,475,085</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017*

Total Governmental Fund Balances	\$2,647,365
 <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.	12,570,361
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	162,217
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
STRS	(28,155,880)
SERS	<u>(6,804,656)</u>
Total	(34,960,536)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions:	
STRS	5,410,381
SERS	<u>1,579,738</u>
Total	6,990,119
Deferred inflows of resources related to pensions:	
STRS	(820,790)
SERS	<u>0</u>
Total	(820,790)
In the statement of activities, interest is accrued on outstanding bonds and lease purchase agreements, whereas in governmental funds, an interest expenditure is reported when due.	(17,951)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(1,373,037)
Deferred Charge on Refunding	67,085
Lease Purchase Agreements	(5,128,587)
Compensated Absences	<u>(1,202,975)</u>
Total	<u>(7,637,514)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$21,066,729)</u></u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$13,280,449	\$755,218	\$14,035,667
Tuition and Fees	274,065	0	274,065
Interest	18,987	0	18,987
Charges for Services	0	313,036	313,036
Extracurricular Activities	160,475	128,150	288,625
Rentals	8,472	10,100	18,572
Contributions and Donations	5,954	2,065	8,019
Intergovernmental	7,631,821	1,258,319	8,890,140
Miscellaneous	11,840	5,618	17,458
<i>Total Revenues</i>	<u>21,392,063</u>	<u>2,472,506</u>	<u>23,864,569</u>
Expenditures			
Current:			
Instruction:			
Regular	9,812,473	82,380	9,894,853
Special	2,410,579	512,300	2,922,879
Vocational	140,937	31,300	172,237
Adult/Continuing	154,157	0	154,157
Other	1,353	0	1,353
Support Services:			
Pupils	1,635,919	99,922	1,735,841
Instructional Staff	382,806	36,453	419,259
Board of Education	129,014	0	129,014
Administration	1,576,318	69,506	1,645,824
Fiscal	573,809	20,771	594,580
Operation and Maintenance of Plant	2,117,663	2,705	2,120,368
Pupil Transportation	1,054,692	0	1,054,692
Central	92,317	0	92,317
Operation of Non-Instructional Services	0	277,478	277,478
Operation of Food Services	0	585,797	585,797
Extracurricular Activities	543,114	143,617	686,731
Capital Outlay	16,402	0	16,402
Debt Service:			
Principal Retirement	498,169	664,924	1,163,093
Interest and Fiscal Charges	101,871	154,771	256,642
<i>Total Expenditures</i>	<u>21,241,593</u>	<u>2,681,924</u>	<u>23,923,517</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>150,470</u>	<u>(209,418)</u>	<u>(58,948)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	2,574	0	2,574
Transfers In	0	85,000	85,000
Transfers Out	(85,000)	0	(85,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,426)</u>	<u>85,000</u>	<u>2,574</u>
<i>Net Change in Fund Balances</i>	68,044	(124,418)	(56,374)
<i>Fund Balance (Deficit) Beginning of Year</i>	1,539,101	1,164,638	2,703,739
<i>Fund Balance (Deficit) End of Year</i>	<u>\$1,607,145</u>	<u>\$1,040,220</u>	<u>\$2,647,365</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

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

Net Change in Fund Balances - Total Governmental Funds (\$56,374)

***Amounts reported for governmental activities in the
statement of activities are different because***

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.

Capital Outlay	227,214
Current Year Depreciation	(602,119)

Total (374,905)

The net effect of various transactions involving capital assets (i.e.; disposals and sales) is a decrease in net position.

Assets Disposed	(3,652)
Accumulated Depreciation on Disposals	3,469

Total (183)

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

Property Taxes (177,783)

Governmental funds report district pension contributions as expenditures.

However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Direct pension contributions	
STRS	1,330,589
SERS	426,843

Total 1,757,432

Cost of benefits earned net of employee contributions	
STRS	(2,056,820)
SERS	(732,702)

Total (2,789,522)

Repayment of long-term bond and lease/purchase principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.

1,163,093

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds and Lease Purchases	2,784
Amortization of Bond Premium	19,023
Amortization of Deferred Outflow from Refunding	(12,385)

Total 9,422

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

110,065

Change in Net Position of Governmental Activities (\$358,755)

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$12,678,225	\$13,402,507	\$13,402,507	\$0
Tuition and Fees	100,449	98,824	98,992	168
Interest	18,296	18,000	18,987	987
Extracurricular Activities	95,073	93,535	91,997	(1,538)
Rentals	8,611	8,472	8,472	0
Intergovernmental	7,742,404	7,617,176	7,617,685	509
Miscellaneous	11,180	11,000	10,137	(863)
<i>Total Revenues</i>	<u>20,654,238</u>	<u>21,249,514</u>	<u>21,248,777</u>	<u>(737)</u>
Expenditures				
Current:				
Instruction:				
Regular	10,358,784	10,042,629	10,027,728	14,901
Special	2,537,862	2,460,401	2,446,324	14,077
Vocational	140,453	136,166	135,810	356
Other	619	600	1,353	(753)
Support Services:				
Pupils	1,739,715	1,686,615	1,679,378	7,237
Instructional Staff	396,342	384,245	378,779	5,466
Board of Education	152,512	147,857	152,891	(5,034)
Administration	1,652,886	1,602,984	1,598,736	4,248
Fiscal	604,242	585,819	585,119	700
Operation and Maintenance of Plant	2,070,792	2,008,999	2,105,408	(96,409)
Pupil Transportation	1,074,662	1,042,422	1,027,450	14,972
Central	99,176	96,149	96,149	0
Extracurricular Activities	488,228	473,325	473,325	0
Capital Outlay	24,004	23,500	23,500	0
Debt Service:				
Principal Retirement	408,234	395,774	395,774	0
Interest and Fiscal Charges	117,742	114,148	114,148	0
<i>Total Expenditures</i>	<u>21,866,253</u>	<u>21,201,633</u>	<u>21,241,872</u>	<u>(40,239)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,212,015)</u>	<u>47,881</u>	<u>6,905</u>	<u>(40,976)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	2,574	2,574	0
Refund of Prior Year Expenditure	0	8,939	8,939	0
Transfers Out	(85,000)	(85,000)	(95,556)	(10,556)
<i>Total Other Financing Sources (Uses)</i>	<u>(85,000)</u>	<u>(73,487)</u>	<u>(84,043)</u>	<u>(10,556)</u>
<i>Net Change in Fund Balance</i>	<u>(1,297,015)</u>	<u>(25,606)</u>	<u>(77,138)</u>	<u>(51,532)</u>
<i>Fund Balance Beginning of Year</i>	<u>3,729,479</u>	<u>3,729,479</u>	<u>3,729,479</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>91,376</u>	<u>91,376</u>	<u>91,376</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,523,840</u>	<u>\$3,795,249</u>	<u>\$3,743,717</u>	<u>(\$51,532)</u>

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,207	\$45,750
Liabilities		
Due to Students	0	\$45,750
Net Position		
Held in Trust for Scholarships	\$12,207	

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017*

	<u>Scholarship</u>
Additions	
Interest	\$93
Deductions	
	<u>0</u>
<i>Change in Net Position</i>	93
<i>Net Position Beginning of Year</i>	<u>12,114</u>
<i>Net Position End of Year</i>	<u><u>\$12,207</u></u>

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 1 - Description of the District

The Poland Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Mahoning County, including all of the Village of Poland and portions of surrounding townships.

The District is the 211th largest in the State of Ohio (among the 896 public school districts and community schools in the State of Ohio) in terms of enrollment. The District is staffed by 133 certified and 80 classified personnel to provide services to approximately 1,870 students and other community members.

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.

A. - Reporting Entity

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

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Jointly Governed Organizations

Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments
The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

Mahoning County Career and Technical Center The Mahoning County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career and Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

Public Entity Risk Pools

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

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Mahoning County School Employees Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of twelve Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. - Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. Following is the District's major governmental fund:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available 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.

Fiduciary Funds

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

C. - Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

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 - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. - Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of revenue 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 District, available means expected to be received within sixty days of fiscal year-end.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations are 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 net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding and pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 15.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide of statement of net position (see Note 15).

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

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

E. - Budgets

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

Tax Budget:

Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The amounts reported as the original and final budget amounts reflect the amounts in the first and final amended official certificate of estimated resources, respectively, issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, or a certificate of estimated resources saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control.

The Board of Education may pass supplemental appropriations, so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, all supplemental appropriations were legally enacted by the Board.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

F. - Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79' "Certain External Investment Pools and Pool Participants." The 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 a NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 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 days(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2017 amounted to \$18,987, which includes \$5,370 assigned from other District funds.

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

An analysis of the District's investment account at year-end is provided in Note 6.

G - Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

H. - Capital Assets

The District's only capital assets are classified as 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 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 fair market values as of the date received. The District maintains a capitalization threshold of \$2,500 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. - Interfund Activity

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 from them are not presented on the financial statements.

J. - Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee at least 50 years of age with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2017, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

K. – 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 are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

L. - Fund Balances

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

Nonspendable The nonspendable fund balance 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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund,

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

assigned amounts represent intended uses established by the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which 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.

M. – Net Position

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

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

N. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are reported in the year the bonds are issued.

O. Deferred Amount (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

P. Pensions

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

Q. - Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68”, Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 78, “Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 74 aims to improve the usefulness of information about other postemployment benefits (OPEB) other than pensions, included in general purpose external financial reports of state and local government benefit plans, for making decisions and assessing accountability. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement and presentation of information about OPEB and is closely related to Statement No. 74, but will not be implemented until next fiscal year for the District. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the District.

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. These changes were incorporated in the District’s fiscal year 2017 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and

Poland Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

(3) has no predominant state or local governmental employer. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 aims to improve financial reporting by clarifying the financial statement presentation requirements for component units that are organized as non-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's fiscal year 2017 financial statements; however, there was no effect on beginning net position.

Note 4 – Fund Deficits

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

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Permanent Improvement	\$90,426
Food Service	70,637
IDEA Part B	64,090
Title I	441
Improving Teacher Quality	182

The deficit fund balances in these funds are the result of adjustments for accrued liabilities, except for the IDEA Part B fund, which had a negative cash balance at fiscal year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

The IDEA Part B special revenue fund did not comply with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for the deficit in this fund and provides transfers when cash is required.

Note 5 - Budgetary Basis of Accounting

While the District is reporting its 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the adult education and public school support special revenue funds.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$68,044
Net Adjustment for Revenue Accruals	(141,060)
Net Adjustment for Expenditure Accruals	108,886
Net Adjustment for Funds Budgeted as Special Revenue	6,713
Adjustment for Encumbrances	<u>(119,721)</u>
Budget Basis	<u><u>(\$77,138)</u></u>

Note 6 - Deposits and Investments

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

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

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

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 District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

A. Cash on Hand

At fiscal year-end, the District had \$175 in undeposited cash on hand, which is included in the Basic Financial Statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits

At June 30, 2017, the carrying value amount of all the District's deposits was \$1,100,946. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2017, \$950,000 of the District's bank balance of \$1,200,000 was exposed to custodial risk as described below, meaning \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

C. Investments

As of June 30, 2017, the District had the following investments. STAR Ohio is measured at net asset value per share.

	Fair Value	Maturity
STAROhio	\$2,714,807	6 Months or Less
Repurchase/Sweep Agreements	1,660,335	6 Months or Less
Total Portfolio	\$4,375,142	

The weighted average of maturities is one day.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase.

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District places no limit on the amount it may invest in any one issuer. The District's investment in STAROhio and repurchase agreements represents 62 and 38 percent, respectively, of all District investments.

D. Reconciliation of Cash and Investments to the Statement of Net positions

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Position as of June 30, 2017:

<u>Cash and Investments per Note Disclosure:</u>		<u>Cash and Investments per Statemnt of Net Position:</u>	
Carrying amount of deposits	\$1,100,946	Governmental Activities	\$5,418,306
Investments	4,375,142	Private-purpose trust funds	12,207
Cash on hand	175	Agency funds	45,750
Total	\$5,476,263	Total	\$5,476,263

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2017 was \$69,630 in the general fund, \$1,691 in the bond retirement debt service fund, and \$1,679 in the permanent improvement capital projects fund.

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$367,463,730	96.53 %	\$367,802,360	96.28 %
Public Utility Personal	13,222,370	3.47	14,208,710	3.72
Total	\$380,686,100	100.00 %	\$382,011,070	100.00 %
Tax rate per \$1,000 of assessed valuation	\$53.40		\$53.40	

Note 8 – Fund Balances

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

Fund Balances	General	Nonmajor Governmental	Total
<i>Restricted for</i>			
Athletics & Music	\$0	\$10,708	\$10,708
Auxiliary Services	0	13,644	13,644
Debt Service Payments	0	1,241,644	1,241,644
<i>Total Restricted</i>	0	1,265,996	1,265,996
<i>Assigned to</i>			
Other Purposes	98,594	0	98,594
Encumbrances	101,981	0	101,981
<i>Total Assigned</i>	200,575	0	200,575
<i>Unassigned (Deficit)</i>	1,406,570	(225,776)	1,180,794
<i>Total Fund Balances (Deficit)</i>	\$1,607,145	\$1,040,220	\$2,647,365

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Capital Assets

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

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$304,780	\$0	\$0	\$304,780
<i>Capital assets being depreciated:</i>				
Land improvements	1,878,341	0	0	1,878,341
Buildings and improvements	19,267,353	0	0	19,267,353
Furniture, fixtures and equipment	3,041,453	63,814	(3,652)	3,101,615
Vehicles	1,233,373	163,400	0	1,396,773
<i>Total capital assets being depreciated</i>	<u>25,420,520</u>	<u>227,214</u>	<u>(3,652)</u>	<u>25,644,082</u>
<i>Accumulated depreciation:</i>				
Land improvements	(1,559,324)	(70,708)	0	(1,630,032)
Buildings and improvements	(8,099,234)	(284,011)	0	(8,383,245)
Furniture, fixtures and equipment	(1,970,933)	(182,856)	3,469	(2,150,320)
Vehicles	(1,150,360)	(64,544)	0	(1,214,904)
<i>Total accumulated depreciation</i>	<u>(12,779,851)</u>	<u>(602,119) *</u>	<u>3,469</u>	<u>(13,378,501)</u>
Capital assets being depreciated, net	<u>12,640,669</u>	<u>(374,905)</u>	<u>(183)</u>	<u>12,265,581</u>
Governmental activities capital assets, net	<u>\$12,945,449</u>	<u>(\$374,905)</u>	<u>(\$183)</u>	<u>\$12,570,361</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$363,004
Special	7,244
Support Services:	
Instructional Staff	3,858
Administration	3,712
Fiscal	3,712
Operation and Maintenance of Plant	25,149
Operation of Non-Instructional Services	2,836
Operation of Food Services	3,122
Extracurricular	189,482
Total Depreciation Expense	<u>\$602,119</u>

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 10 - Receivables

Receivables at June 30, 2017, consisted of taxes, accounts (rent, student fees and tuition), accrued interest and intergovernmental grants and entitlements. 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 fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities:	
Property Taxes	\$13,986,358
Accounts	3,394
Intergovernmental	43,458
Total Receivables	\$14,033,210

Note 11 – Note Debt

Energy Conservation Tax Anticipation Notes - Series 2006: During fiscal year 2006, the District issued energy conservation tax anticipation notes to provide for energy improvements to District buildings. The energy conservation notes were issued on December 20, 2005, mature on November 1, 2020, and have an interest rate of 4.85 percent. A liability for these notes is reflected in the permanent improvement capital projects fund, which received the proceeds.

	Balance at 06/30/16	Increases	Decreases	Balance at 06/30/17
Energy Conservation Notes - Series 2006	\$353,087	\$0	(\$78,550)	\$274,537

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2017 are as follows:

Fiscal year Ending June 30,	Energy Conservation Notes Series 2006	
	Principal	Interest
2018	\$78,550	\$12,363
2019	78,550	8,563
2020	78,550	3,743
2021	38,887	943
<i>Total</i>	\$274,537	\$25,612

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 – Lease Purchase Agreements

On May 1, 2002, the District entered into a \$5,500,000 lease-purchase agreement with Chemical Bank, to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites. In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the Project is being constructed to the Chemical Bank. The District is the lessor and Chemical Bank is the lessee under the ground-lease agreement. The ground-lease commenced on May 17, 2002 and terminates on May 1, 2032 or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option. General capital assets consisting of buildings have been capitalized in the governmental activities of the District in the amount of \$5,808,778.

In fiscal year 2008, the District entered into a \$3,000,000 lease-purchase agreement with Farmers National Bank to finance the construction of a new stadium and land improvements. The sources of revenue to fund the principal and interest payments are derived from donations and general operating revenues of the District. General capital assets consisting of buildings and land improvements have been capitalized in the governmental activities of the District in the amount of \$2,980,852.

In fiscal year 2009, the District entered into a \$338,000 lease-purchase agreement with Farmers National Bank to finance the purchase of new computers and computer equipment. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District. General capital assets consisting of equipment have been capitalized in the governmental activities of the District in the amount of \$338,000.

In fiscal year 2010, the District entered into a \$1,743,000 lease-purchase agreement to provide for energy improvements to District buildings. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District. General capital assets consisting of building improvements have been capitalized in the governmental activities of the District in the amount of \$1,743,000.

In fiscal year 2012, the District entered into a \$247,515 lease-purchase agreement for computer network upgrades. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District. General capital assets consisting of building improvements have been capitalized in the governmental activities of the District in the amount of \$247,515.

In fiscal year 2016, the District entered into a \$480,000 lease-purchase agreement for computer purchases and a security system upgrade. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District. General capital assets consisting of building improvements and equipment have been capitalized in the governmental activities of the District in the amount of \$482,820.

The amounts capitalized under these lease-purchase agreements include the costs of the Projects funded by these agreements that were incurred as of June 30, 2017.

During fiscal year 2017, the District made payments of \$748,093 in principal and \$167,526 in interest on these lease-purchase agreements and a liability in the amount of the present value of the minimum lease payments has been recorded in the governmental activities of the District.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The following is a schedule of the future minimum lease payments required under the lease-purchase obligations and the present value of the future minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	
2018	\$729,622
2019	730,367
2020	730,529
2021	729,512
2022	729,336
2023 - 2027	2,133,498
Total Minimum Lease Payments	5,782,864
Less: Amount Representing Interest	(654,277)
Present Value of Minimum Lease	\$5,128,587

Note 13 - Long-term Obligations

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

	Balance at 06/30/16	Increases	Decreases	Balance at 6/30/17	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Current interest bonds - Series 2006	\$1,685,000	\$0	(\$415,000)	\$1,270,000	\$165,000
Unamortized premium on bonds	122,060	0	(19,023)	103,037	0
<i>Total General Obligation Bonds</i>	1,807,060	0	(434,023)	1,373,037	165,000
<u>Other Long-Term Obligations:</u>					
Lease purchase agreements	5,876,680	0	(748,093)	5,128,587	583,457
Compensated absences	1,313,040	267,586	(377,651)	1,202,975	154,747
<i>Total Other Long-Term Obligations</i>	7,189,720	267,586	(1,125,744)	6,331,562	738,204
Total Before Net Pension Liability	8,996,780	267,586	(1,559,767)	7,704,599	903,204
<u>Net Pension Liability:</u>					
STRS	24,276,233	5,149,099	(1,269,452)	28,155,880	0
SERS	5,268,491	1,927,646	(391,481)	6,804,656	0
<i>Total Net Pension Liability</i>	29,544,724	7,076,745	(1,660,933)	34,960,536	0
Total	\$38,541,504	\$7,344,331	(\$3,220,700)	\$42,665,135	\$903,204

General Obligation Bonds - Series 2006: The District issued general obligation bonds in 2006 in order to advance refund a portion of both the General Obligation Bonds - Series 1995 and the General Obligation Bonds - Series 1997. The general obligation bonds were issued on September 1, 2005, mature on December 1, 2022, and have a variable interest rate of 3.00% - 5.00%.

Lease Purchase Agreements: See Note 12 for detailed information on the lease-purchase agreements.

Compensated Absences: Compensated absences will be paid from the fund in which the employees' salaries are paid. For the District this includes the general fund and the food service, auxiliary services, IDEA grant and Title I grant special revenue funds.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The District pays pension obligations related to employee compensation from the fund benefitting from their service.

On September 7, 2005, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund a portion of the Series 1995 Current Interest General Obligation Bonds (principal \$1,480,000) and to advance refund a portion of the Series 1997 Current Interest General Obligation Bonds (principal \$2,405,000). The issuance proceeds of \$4,098,640 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$3,785,000, and capital appreciation bonds, par value \$380,000. The capital appreciation bonds matured December 1, 2016 and June 1, 2017 at a redemption price equal to 100 percent of the principal, plus accreted interest to the redemption date.

The reacquisition price exceeded the net carrying amount of the old debt by \$213,640. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nineteen years by \$515,910, resulting in an economic gain of \$266,665.

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

Fiscal year Ending June 30,	Current Interest Bonds Series 2006	
	Principal	Interest
2018	\$165,000	\$59,375
2019	190,000	50,500
2020	200,000	40,750
2021	215,000	30,375
2022	245,000	18,875
2023	255,000	6,375
<i>Total</i>	\$1,270,000	\$206,250

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The effects of these debt limitations at June 30, 2017, are a legal voted debt margin of \$34,352,640 (including available funds of \$1,241,644), a legal unvoted debt margin of \$382,011, and a legal energy conservation debt margin of \$3,163,563.

Note 14 - Risk Management

A. Property, Fleet and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. Real property, building and contents are fully insured.

The business auto coverage limits are \$1,000,000 for liability and bodily injury for each person and each accident. The property damage liability limit is \$1,000,000. The uninsured bodily injury and under insured motorists has a liability limit of \$1,000,000 each person and each accident. Comprehensive has a \$100 deductible and collision has a \$500 deductible.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

The District has a liability limit of \$500,000 for boiler insurance with a deductible of \$1,000.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Employee Group Health Insurance

The District pays insurance premiums for all full-time employees, less a 10 percent co-pay paid by the employee. For part-time employees, premiums paid by the District based on a percentage worked.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2A). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 – Defined Benefit Pension Plans

A. Net Pension Liability

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 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 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. A 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.

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed

Poland Local School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

information about SERS' fiduciary net position. That report can be obtained on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire 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 District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution was allocated to the Health Care Fund. The District's contractually required contribution to SERS was \$426,843 for the fiscal year ended June 30, 2017. Of this amount \$182,004 was reported as an intergovernmental payable.

C. State Teachers Retirement System

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (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.

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.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 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 increased August 1, 2015 and will continue to increase periodically until reaching age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and 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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$1,330,589 for the fiscal year ended June 30, 2017. Of this amount \$210,504 was reported as an intergovernmental payable.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.09233090%	0.08783937%	
Proportion of the Net Pension Liability Current Measurement Date	0.09297150%	0.08411516%	
Change in Proportionate Share	0.00064060%	-0.00372421%	
Proportionate Share of the Net Pension Liability	\$6,804,656	\$28,155,880	\$34,960,536
Pension Expense	\$771,528	\$2,121,120	\$2,892,648

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$91,777	\$1,137,635	\$1,229,412
Net difference between projected and actual earnings on pension plan investments	561,286	2,337,692	2,898,978
Change of Assumptions	454,248	0	454,248
Change in Proportionate Share	45,584	604,465	650,049
District contributions subsequent to the measurement date	426,843	1,330,589	1,757,432
Total Deferred Outflows of Resources	\$1,579,738	\$5,410,381	\$6,990,119
Deferred Inflows of Resources			
Change in Proportionate Share	\$0	\$820,790	\$820,790

\$1,757,432 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	(\$296,716)	(\$546,539)	(\$843,255)
2019	(296,309)	(546,540)	(842,849)
2020	(398,522)	(1,443,581)	(1,842,103)
2021	(161,348)	(722,342)	(883,690)
Total	(\$1,152,895)	(\$3,259,002)	(\$4,411,897)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$9,008,940	\$6,804,656	\$4,959,578

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Projected Salary Increases	2.75 Percent at Age 70 to 12.25 Percent at Age 70
Investment Rate of Return	7.75 Percent, Net of Investment Expenses
Cost of Living Adjustments (COLA)	2% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

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

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

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

Asset Class	Target Allocation	*Long-Term Expected Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$37,416,879	\$28,155,880	\$20,343,683

E. Social Security System

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

Note 16 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certified 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 under Employers/Audit Resources.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 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 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$45,186.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$45,186, \$46,965, and \$72,179, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. None of the School District's contributions were allocated to fund health care for the fiscal years ended June 30, 2017, 2016 or 2015.

Note 17 – 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 fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 285 days for all employees. Upon retirement, classified employees with at least 10 years of service will receive payment for one-third of their total sick leave accumulation up to a maximum of 63 days.

Upon retirement, certified employees with at least 10 years of service receive payment for one-third of their total sick leave accumulation up to a maximum of 60 days.

Note 18 – Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned fund balance. At year end, the District's only significant commitment for encumbrances was in the general fund and permanent improvement capital projects fund in the amounts of \$119,721 and \$65,534, respectively. Total encumbrances outstanding for all District funds was \$221,455 at fiscal year-end.

Note 19 - Set-Asides

The 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 year-end 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 year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements	BWC Refunds
Set-Aside Balance as of June 30, 2016	\$0	\$77,235
Current Year Set-Aside Requirement	350,841	0
Qualifying Disbursements	(410,616)	(77,235)
Current Year Offsets	(370,631)	0
Total	(\$430,406)	\$0
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0	\$0
Cash balance as of June 30, 2017	\$0	\$0

Although the School District had qualifying 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.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 20 - Contingencies

A. Grants

The 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 agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

B. Litigation

The District is currently party to a legal proceeding seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2017. The case is not settled as of the date of this report, and the amount, if any, to be paid by the District is not currently known, or expected to be significant.

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school district must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the 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, 2017 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 an additional receivable to, or a liability of, the District.

Note 21 - Interfund Activity

During fiscal year 2017 the general fund transferred \$85,000 to the food service special revenue fund to help cover costs.

Poland Local School District

Mahoning County, Ohio

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.09297150%	0.09233090%	0.09125200%	0.09125200%
School District's Proportionate Share of the Net Pension Liability	\$6,804,656	\$5,268,491	\$4,618,212	\$5,426,464
School District's Covered-Employee Payroll	\$3,048,879	\$2,924,985	\$2,666,652	\$2,418,707
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	223.19%	180.12%	173.18%	224.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Poland Local School District
Mahoning County, Ohio

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

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.084115160%	0.087839370%	0.084339460%	0.084339460%
School District's Proportionate Share of the Net Pension Liability	\$28,155,880	\$24,276,233	\$20,514,275	\$24,436,471
School District's Covered-Employee Payroll	\$9,504,207	\$9,342,086	\$9,786,246	\$9,068,397
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	296.25%	259.86%	209.62%	269.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

Poland Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$426,843	\$391,481	\$385,513	\$369,598
Contributions in Relation to the Contractually Required Contribution	(\$426,843)	(\$391,481)	(\$385,513)	(\$369,598)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,048,879	\$2,796,293	\$2,924,985	\$2,666,652
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$334,749	\$310,642	\$289,428	\$306,308	\$212,422	\$210,879
(\$334,749)	(\$310,642)	(\$289,428)	(\$306,308)	(\$212,422)	(\$210,879)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,418,707	\$2,309,606	\$2,302,530	\$2,262,245	\$2,158,760	\$2,147,444
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Poland Local School District

Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,330,589	\$1,269,452	\$1,307,892	\$1,272,212
Contributions in Relation to the Contractually Required Contribution	(\$1,330,589)	(\$1,269,452)	(\$1,307,892)	(\$1,272,212)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$9,504,207	\$9,067,514	\$9,342,086	\$9,786,246
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$1,178,892	\$1,237,410	\$1,281,450	\$1,273,350	\$1,224,929	\$1,187,199
(\$1,178,892)	(\$1,237,410)	(\$1,281,450)	(\$1,273,350)	(\$1,224,929)	(\$1,187,199)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,068,397	\$9,518,536	\$9,857,308	\$9,795,000	\$9,422,531	\$9,132,300
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Poland Local School District
Mahoning County, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017*

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 through 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 through 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	2017	\$32,925
Cash Assistance:			
National School Lunch Program	10.555	2017	125,941
National School Breakfast Program	10.553	2017	11,741
Total - Nutrition Cluster			<u>170,607</u>
Total U.S. Department of Agriculture			<u>170,607</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to State (IDEA Part B)	84.027	2017	394,411
Special Education Grants to State (IDEA Part B)	84.027	2016	32,623
Special Education Preschool Grants to State	84.173	2017	11,950
Total Special Education Cluster			<u>438,984</u>
Title I Grants to Local Educational Agencies:			
Title I Grants to Local Educational Agencies	84.010	2016	4,558
Title I Grants to Local Educational Agencies	84.010	2017	197,036
Total Title I Grants to Local Educational Agencies Cluster			<u>201,594</u>
English Language Acquisition State Grants	84.365	2017	3,611
Improving Teacher Quality State Grants	84.367	2017	54,924
Total Improving Teacher Quality State Grants			<u>58,535</u>
State Administrative Expenses for Child Nutrition	10.560	2017	738
Team Nutrition Grants	10.574	2017	5,000
Total Educational Technology State Grants			<u>5,738</u>
Total U.S. Department of Education			<u>704,851</u>
Total Federal Financial Assistance			<u><u>\$875,458</u></u>

The accompanying notes are an integral part of this schedule.

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Poland Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

NOTE E – PASS-THROUGH NUMBERS

OAKS did not assign pass-through numbers for fiscal year 2017



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Poland Local School District
3199 Dobbins Road
Poland, OH 44514

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Poland Local School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Poland Local School District's basic financial statements and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Poland Local School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Poland Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Poland Local School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Poland Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CANTER & ASSOCIATES

Poland, Ohio

December 27, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Poland Local School District
Mahoning County
3199 Dobbins Road
Poland, OH 44514

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Poland Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect the District's major federal program for the fiscal year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CANTER & ASSOCIATES

Poland, Ohio

December 27, 2017

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	UNMODIFIED
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNMODIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster -- CFDA's 84.027 & 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	NO

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE

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Dave Yost • Auditor of State

POLAND LOCAL SCHOOL DISTRICT

MAHONING 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
FEBRUARY 13, 2018**