



OHIO AUDITOR OF STATE
KEITH FABER



**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
FYE JUNE 30, 2018**

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TRUMBULL COUNTY
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pension*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

April 5, 2019

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Howland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

As management of the Howland Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- Net position increased significantly in fiscal year 2018 due mainly to changes in the net pension liability and net OPEB liability and the deferred outflows associated with these liabilities. The increase in net position was partially offset by a decrease in current assets and an increase in current liabilities and a decrease in deferred inflows of resources.
- Total program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. Program expenses excluding amounts related to the net pension and net OPEB liabilities actually increased due to higher purchased service costs during fiscal year 2018. Salaries and benefits also increased over the prior fiscal year largely attributable to certified and classified employees receiving base wage increases of 2 percent in fiscal year 2018.
- The capital asset additions for fiscal year 2018 included buildings and improvements and furniture and equipment.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.
- Debt obligations decreased during fiscal year 2018 due to annual general obligation principal payments.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's net position for 2018 compared to 2017.

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Table 1
 Net Position
 Governmental Activities

	2018	(Restated) 2017	Change
Assets			
Current and Other Assets	\$23,978,870	\$25,484,234	(\$1,505,364)
Capital Assets, Net	2,845,334	2,953,850	(108,516)
Total Assets	26,824,204	28,438,084	(1,613,880)
Deferred Outflows of Resources			
Pension	11,019,356	8,970,536	2,048,820
OPEB	436,891	71,686	365,205
<i>Total Deferred Outflows of Resources</i>	<i>11,456,247</i>	<i>9,042,222</i>	<i>2,414,025</i>
Liabilities			
Current Liabilities	3,836,775	3,429,281	(407,494)
Long-Term Liabilities			
Due Within One Year	865,925	781,453	(84,472)
Due in More Than One Year:			
Net Pension Liability	36,677,628	49,862,818	13,185,190
Net OPEB Liability	8,257,118	10,137,242	1,880,124
Other Amounts	2,977,168	2,877,417	(99,751)
<i>Total Liabilities</i>	<i>52,614,614</i>	<i>67,088,211</i>	<i>14,473,597</i>
Deferred Inflows of Resources			
Property Taxes	17,300,160	16,852,109	(448,051)
Pension	1,620,127	573,313	(1,046,814)
OPEB	928,210	0	(928,210)
<i>Total Deferred Inflows of Resources</i>	<i>19,848,497</i>	<i>17,425,422</i>	<i>(2,423,075)</i>
Net Position			
Net Investment in Capital Assets	2,845,334	2,953,850	(108,516)
Restricted for:			
Capital Projects	241,202	253,787	(12,585)
Debt Service	26,307	57,628	(31,321)
Other Purposes	97,821	32,675	65,146
Unclaimed Monies	9,113	9,119	(6)
Unrestricted (Deficit)	(37,402,437)	(50,340,386)	12,937,949
<i>Total Net Position</i>	<i>(\$34,182,660)</i>	<i>(\$47,033,327)</i>	<i>\$12,850,667</i>

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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer's contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the

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control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of \$36,967,771 to a deficit of \$47,033,327.

Current assets decreased due to a decrease in cash and cash equivalents from increases in expenses for instructional and support services due to higher purchased service costs and employees receiving base wage increases of 2 percent. The decrease in capital assets was due to current year depreciation outpacing additions to capital assets.

Current liabilities increased during fiscal year 2018 primarily due to increases in accrued wages. Long-term liabilities decreased which can be attributed to decreases in the net pension and net OPEB liability attributed to the School District.

Net position increased significantly due to changes in the net pension liability and net OPEB liability and the deferred outflows and deferred inflows of resources associated with these liabilities.

Table 2 shows the changes in net position for fiscal year 2018 compared to 2017.

Table 2
 Changes in Net Position
 Governmental Activities

	2018	2017	Change
Program Revenues			
Charges for Services and Sales	\$3,015,537	\$2,703,541	\$311,996
Operating Grants and Contributions	2,845,119	3,021,348	(176,229)
Capital Grants and Contributions	59,900	60,537	(637)
<i>Total Program Revenues</i>	<u>5,920,556</u>	<u>5,785,426</u>	<u>135,130</u>
General Revenues			
Property Taxes	17,033,521	16,774,199	259,322
Grants and Entitlements	9,714,795	10,352,974	(638,179)
Unrestricted Contributions	51,541	34,090	17,451
Investment Earnings	47,618	30,131	17,487
Miscellaneous	413,288	268,277	145,011
<i>Total General Revenues</i>	<u>27,260,763</u>	<u>27,459,671</u>	<u>(198,908)</u>
<i>Total Revenues</i>	<u>\$33,181,319</u>	<u>\$33,245,097</u>	<u>(\$63,778)</u>

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Table 2
 Changes in Net Position (continued)
 Governmental Activities

	2018	2017	Change
Program Expenses			
Instruction:			
Regular	\$7,484,602	\$17,176,100	\$9,691,498
Special	2,224,434	4,027,746	1,803,312
Vocational	47,318	269,567	222,249
Student Intervention Services	32,116	7,334	(24,782)
Support Services			
Pupils	1,168,616	1,691,671	523,055
Instructional Staff	650,984	1,004,132	353,148
Board of Education	23,527	35,145	11,618
Administration	1,316,192	2,265,528	949,336
Fiscal	601,748	1,178,499	576,751
Business	317,332	356,156	38,824
Operation and Maintenance of Plant	2,823,898	2,995,288	171,390
Pupil Transportation	1,823,146	1,776,747	(46,399)
Central	115,646	167,159	51,513
Operation of Non-Instructional Services	66,922	422,049	355,127
Operation of Food Services	745,313	1,014,145	268,832
Extracurricular Activities	852,414	836,003	(16,411)
Interest and Fiscal Charges	36,444	41,187	4,743
<i>Total Program Expenses</i>	<u>20,330,652</u>	<u>35,264,456</u>	<u>14,933,804</u>
<i>Change in Net Position</i>	12,850,667	(2,019,359)	14,870,026
Net Position Beginning of Year (Restated)	<u>(47,033,327)</u>	N/A	
Net Position End of Year	<u>(\$34,182,660)</u>	<u>(\$47,033,327)</u>	<u>\$12,850,667</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$71,686 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,228,046. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

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Total 2018 program expenses under GASB 75	\$20,330,652
Negative OPEB expense under GASB 75	1,228,046
2018 contractually required contribution	89,073
Adjusted 2018 program expenses	21,647,771
Total 2017 program expenses under GASB 45	35,264,456
Decrease in program expenses not related to OPEB	(\$13,616,685)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 16) As a result of these changes, pension expense decreased from \$3,785,600 in fiscal year 2017 to a negative pension expense of \$11,631,383 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	(\$7,675,253)
Special	(1,412,030)
Vocational	(191,131)
Support Services:	
Pupils	(574,786)
Instructional Staff	(260,448)
Administration	(793,224)
Fiscal	(20,033)
Business	(8,283)
Operation and Maintenance of Plant	(136,520)
Pupil Transportation	(53,360)
Operation of	
Non-Instructional Services	(404,836)
Food Service	(17,091)
Extracurricular Activities	(84,388)
Total Expenses	(\$11,631,383)

Program revenues increased for governmental activities in fiscal year 2018. Charges for sales and services increased due to increased tuition and fees revenues. Operating grants and capital grants decreased due to reductions in restricted grant monies. General revenues decreased in fiscal year 2018 primarily resulting from lower grants and entitlements received through State Foundation that were offset by higher property tax collections and higher miscellaneous revenues.

Program expenses decreased in fiscal year 2018 due to changes in the net pension liability and net OPEB liability. As mentioned previously, pension expense decreased by \$15,416,983 attributable to changes in the net pension liability. The recording on a net OPEB liability resulted in an additional \$1,228,046 decrease to program expenses. Changes in deferred outflows relating to payments made subsequent to the measurement date resulted in a decrease of \$191,321 to program expenses as well.

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Program expenses excluding amounts related to the net pension and net OPEB liabilities actually increased by approximately \$1,903,000 due to higher salaries and benefits costs as well as increased purchased service costs during fiscal year 2018.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2018 compared to 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$7,484,602	\$5,321,905	\$17,176,100	\$15,238,027
Special	2,224,434	515,406	4,027,746	2,262,476
Vocational	47,318	(17,257)	269,567	222,355
Student Intervention Services	32,116	28,925	7,334	6,695
Support Services:				
Pupils	1,168,616	1,168,616	1,691,671	1,691,671
Instructional Staff	650,984	650,984	1,004,132	879,455
Board of Education	23,527	23,106	35,145	35,145
Administration	1,316,192	1,299,608	2,265,528	2,254,728
Fiscal	601,748	599,824	1,178,499	1,176,333
Business	317,332	317,332	356,156	356,156
Operation and Maintenance of Plant	2,823,898	2,748,681	2,995,288	2,891,176
Pupil Transportation	1,823,146	1,821,370	1,776,747	1,751,098
Central	115,646	115,646	167,159	167,159
Operation of Non-Instructional Services	66,922	(394,071)	422,049	149,784
Operation of Food Services	745,313	(98,195)	1,014,145	139,111
Extracurricular Activities	852,414	271,772	836,003	216,474
Interest and Fiscal Charges	36,444	36,444	41,187	41,187
Total	\$20,330,652	\$14,410,096	\$35,264,456	\$29,479,030

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

Financial Analysis of the Government's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had a decrease in fund balance due to increased instruction and supports service costs resulting from a base increase to employee pay and higher purchased service costs.

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General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

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

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

Capital Assets and Debt

Capital Assets

During fiscal year 2018, the School District's capital asset additions included building improvements and also various pieces of new equipment and computers. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Debt

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

Current Related Financial Activities

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

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

Howland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Contacting the School District's Financial Management Personnel

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

Basic Financial Statements

Howland Local School District

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,775,102
Intergovernmental Receivable	472,947
Prepaid Items	71,215
Inventory Held for Resale	11,749
Materials and Supplies Inventory	2,977
Taxes Receivable	18,644,880
Nondepreciable Capital Assets	806,570
Depreciable Capital Assets, Net	<u>2,038,764</u>
<i>Total Assets</i>	<u>26,824,204</u>
Deferred Outflows of Resources	
Pension	11,019,356
OPEB	<u>436,891</u>
<i>Total Deferred Outflows of Resources</i>	<u>11,456,247</u>
Liabilities	
Accounts Payable	131,452
Contracts Payable	1,320
Accrued Wages Payable	3,069,807
Intergovernmental Payable	545,135
Accrued Interest Payable	2,732
Matured Compensated Absences Payable	86,329
Long-Term Liabilities:	
Due Within One Year	865,925
Due In More Than One Year:	
Net Pension Liability (See Note 16)	36,677,628
Net OPEB Liability (See Note 17)	8,257,118
Other Amounts	<u>2,977,168</u>
<i>Total Liabilities</i>	<u>52,614,614</u>
Deferred Inflows of Resources	
Property Taxes	17,300,160
Pension	1,620,127
OPEB	<u>928,210</u>
<i>Total Deferred Inflows of Resources</i>	<u>19,848,497</u>
Net Position	
Net Investment in Capital Assets	2,845,334
Restricted for:	
Capital Projects	241,202
Debt Service	26,307
Other Purposes	97,821
Unclaimed Monies	9,113
Unrestricted (Deficit)	<u>(37,402,437)</u>
<i>Total Net Position</i>	<u>(\$34,182,660)</u>

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Capital Grants	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities:					
Instruction:					
Regular	\$7,484,602	\$1,640,216	\$473,086	\$49,395	(\$5,321,905)
Special	2,224,434	349,347	1,359,681	0	(515,406)
Vocational	47,318	29,475	35,100	0	17,257
Student Intervention Services	32,116	3,191	0	0	(28,925)
Support Services:					
Pupils	1,168,616	0	0	0	(1,168,616)
Instructional Staff	650,984	0	0	0	(650,984)
Board of Education	23,527	0	0	421	(23,106)
Administration	1,316,192	0	10,800	5,784	(1,299,608)
Fiscal	601,748	0	0	1,924	(599,824)
Business	317,332	0	0	0	(317,332)
Operation and Maintenance of Plant	2,823,898	73,009	0	2,208	(2,748,681)
Pupil Transportation	1,823,146	0	1,608	168	(1,821,370)
Central	115,646	0	0	0	(115,646)
Operation of Non-Instructional Services	66,922	0	460,993	0	394,071
Operation of Food Services	745,313	346,648	496,860	0	98,195
Extracurricular Activities	852,414	573,651	6,991	0	(271,772)
Interest and Fiscal Charges	36,444	0	0	0	(36,444)
Totals	\$20,330,652	\$3,015,537	\$2,845,119	\$59,900	(14,410,096)

General Revenues

Property Taxes Levied for:

General Purposes	16,509,002
Debt Service	66,852
Capital Outlay	457,667
Grants and Entitlements not Restricted to Specific Programs	9,714,795
Unrestricted Contributions	51,541
Investment Earnings	47,618
Miscellaneous	413,288

Total General Revenues 27,260,763

Change in Net Position 12,850,667

Net Position Beginning of Year - Restated (See Note 21) (47,033,327)

Net Position End of Year (\$34,182,660)

See accompanying notes to the basic financial statements

Howland Local School District

*Balance Sheet
Governmental Funds
June 30, 2018*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,317,012	\$438,076	\$4,755,088
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	9,113	0	9,113
Taxes Receivable	18,022,993	621,887	18,644,880
Intergovernmental Receivable	229,215	243,732	472,947
Prepaid Items	71,215	0	71,215
Inventory Held for Resale	0	11,749	11,749
Materials and Supplies Inventory	0	2,977	2,977
<i>Total Assets</i>	<u>\$22,649,548</u>	<u>\$1,318,421</u>	<u>\$23,967,969</u>
Liabilities			
Accounts Payable	\$86,876	\$44,576	\$131,452
Contracts Payable	1,320	0	1,320
Accrued Wages Payable	2,866,499	203,308	3,069,807
Intergovernmental Payable	475,593	69,542	545,135
Matured Compensated Absences Payable	86,329	0	86,329
<i>Total Liabilities</i>	<u>3,516,617</u>	<u>317,426</u>	<u>3,834,043</u>
Deferred Inflows of Resources			
Property Taxes	16,712,290	587,870	17,300,160
Unavailable Revenue	1,260,006	243,462	1,503,468
<i>Total Deferred Inflows of Resources</i>	<u>17,972,296</u>	<u>831,332</u>	<u>18,803,628</u>
Fund Balances			
Nonspendable	80,328	2,977	83,305
Restricted	0	328,219	328,219
Committed	0	325	325
Assigned	1,080,307	0	1,080,307
Unassigned (Deficit)	0	(161,858)	(161,858)
<i>Total Fund Balances</i>	<u>1,160,635</u>	<u>169,663</u>	<u>1,330,298</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$22,649,548</u>	<u>\$1,318,421</u>	<u>\$23,967,969</u>

See accompanying notes to the basic financial statements

Howland Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018*

Total Governmental Fund Balances	\$1,330,298
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,845,334
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	1,283,698
Intergovernmental	215,684
Tuition	4,086
Total	1,503,468
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	10,901
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(2,732)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Energy Conservation Bonds	(623,220)
Special Termination Benefits	(19,200)
Compensated Absences	(3,200,673)
Total	(3,843,093)
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Deferred Outflows - Pension	11,019,356
Deferred Outflows - OPEB	436,891
Net Pension Liability	(36,677,628)
Net OPEB Liability	(8,257,118)
Deferred Inflows - Pension	(1,620,127)
Deferred Inflows - OPEB	(928,210)
Total	(36,026,836)
 <i>Net Position of Governmental Activities</i>	 <i>(\$34,182,660)</i>

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$16,629,116	\$525,993	\$17,155,109
Intergovernmental	10,544,585	2,002,419	12,547,004
Interest	47,618	0	47,618
Tuition and Fees	2,018,136	0	2,018,136
Extracurricular Activities	93,725	122,662	216,387
Contributions and Donations	51,541	6,991	58,532
Charges for Services	357,271	346,648	703,919
Rentals	73,009	0	73,009
Miscellaneous	413,288	0	413,288
<i>Total Revenues</i>	<u>30,228,289</u>	<u>3,004,713</u>	<u>33,233,002</u>
Expenditures			
Current:			
Instruction:			
Regular	16,637,544	729,919	17,367,463
Special	3,527,988	555,441	4,083,429
Vocational	295,275	0	295,275
Student Intervention Services	32,116	0	32,116
Support Services:			
Pupils	1,922,072	0	1,922,072
Instructional Staff	1,001,601	2,898	1,004,499
Board of Education	22,900	1,792	24,692
Administration	2,304,938	24,600	2,329,538
Fiscal	655,878	8,185	664,063
Business	338,077	0	338,077
Operation and Maintenance of Plant	3,054,609	41,793	3,096,402
Pupil Transportation	1,769,841	715	1,770,556
Central	115,646	0	115,646
Operation of Non-Instructional Services	94,125	360,772	454,897
Operation of Food Services	0	786,479	786,479
Extracurricular Activities	701,263	192,696	893,959
Capital Outlay	0	275,385	275,385
Debt Service:			
Principal Retirement	0	95,880	95,880
Interest and Fiscal Charges	0	36,864	36,864
<i>Total Expenditures</i>	<u>32,473,873</u>	<u>3,113,419</u>	<u>35,587,292</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,245,584)</u>	<u>(108,706)</u>	<u>(2,354,290)</u>
Other Financing Sources (Uses)			
Transfers In	0	119,052	119,052
Transfers Out	(66,498)	(52,554)	(119,052)
<i>Total Other Financing Sources (Uses)</i>	<u>(66,498)</u>	<u>66,498</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(2,312,082)	(42,208)	(2,354,290)
<i>Fund Balances Beginning of Year</i>	<u>3,472,717</u>	<u>211,871</u>	<u>3,684,588</u>
<i>Fund Balances End of Year</i>	<u>\$1,160,635</u>	<u>\$169,663</u>	<u>\$1,330,298</u>

See accompanying notes to the basic financial statements

Howland Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Net Change in Fund Balances - Total Governmental Funds (\$2,354,290)

*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 Asset Additions	422,485	
Current Year Depreciation	(531,001)	
Total		(108,516)

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

Delinquent Property Taxes	(121,588)	
Intergovernmental	65,819	
Tuition	4,086	
Total		(51,683)

Repayment of long-term obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 95,880

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 420

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

Compensated Absences	(260,903)	
Special Termination Benefits	33,300	
Total		(227,603)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension	2,555,813	
OPEB	89,073	
Total		2,644,886

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

Pension	11,631,383	
OPEB	1,228,046	
Total		12,859,429

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (7,856)

Change in Net Position of Governmental Activities \$12,850,667

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$17,030,425	\$16,610,935	\$16,610,935	\$0
Intergovernmental	11,171,734	10,898,084	10,898,084	0
Interest	48,242	47,054	47,054	0
Tuition and Fees	1,931,035	1,883,470	1,883,470	0
Extracurricular Activities	73,685	71,870	71,870	0
Contributions and Donations	35,239	34,371	34,371	0
Charges for Services	394,037	384,331	384,331	0
Rentals	98,651	96,221	96,221	0
Miscellaneous	323,360	315,395	315,395	0
<i>Total Revenues</i>	<u>31,106,408</u>	<u>30,341,731</u>	<u>30,341,731</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	14,354,181	16,248,990	16,133,764	115,226
Special	3,099,322	3,508,445	3,483,566	24,879
Vocational	254,594	288,202	286,158	2,044
Student Intervention Services	28,574	32,345	32,116	229
Support Services:				
Pupils	1,636,940	1,853,022	1,839,882	13,140
Instructional Staff	849,760	961,931	955,110	6,821
Board of Education	21,154	23,947	23,777	170
Administration	2,075,353	2,349,307	2,332,648	16,659
Fiscal	649,166	734,859	729,648	5,211
Business	305,748	346,108	343,654	2,454
Operation and Maintenance of Plant	3,076,281	3,482,362	3,457,668	24,694
Pupil Transportation	1,765,197	1,998,210	1,984,040	14,170
Central	107,249	121,406	120,545	861
Operation of Non-Instructional Services	102,534	89,002	88,179	823
Extracurricular Activities	612,508	692,342	687,487	4,855
<i>Total Expenditures</i>	<u>28,938,561</u>	<u>32,730,478</u>	<u>32,498,242</u>	<u>232,236</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,167,847	(2,388,747)	(2,156,511)	232,236
Other Financing Sources (Uses)				
Transfers Out	(290,744)	(69,784)	(69,784)	0
<i>Net Change in Fund Balance</i>	1,877,103	(2,458,531)	(2,226,295)	232,236
<i>Fund Balance Beginning of Year</i>	5,460,936	5,460,936	5,460,936	0
Prior Year Encumbrances Appropriated	229,305	229,305	229,305	0
<i>Fund Balance End of Year</i>	<u>\$7,567,344</u>	<u>\$3,231,710</u>	<u>\$3,463,946</u>	<u>\$232,236</u>

See accompanying notes to the basic financial statements

Howland Local School District

Statement of Fund Net Position

Proprietary Fund

June 30, 2018

	<u>Governmental Activity - Internal Service Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,901</u>
Net Position	
Unrestricted	<u>\$10,901</u>

See accompanying notes to the basic financial statements

Howland Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018*

	Governmental Activity - Internal Service Fund
Operating Revenues	
Charges for Services	\$20,272
Operating Expenses	
Purchased Services	1,250
Claims	26,878
<i>Total Operating Expenses</i>	28,128
<i>Change in Net Position</i>	(7,856)
<i>Net Position Beginning of Year</i>	18,757
<i>Net Position End of Year</i>	\$10,901

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	<u>Governmental Activity - Internal Service Fund</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$20,272
Cash Payments to Suppliers for Goods and Services	(1,250)
Cash Payments for Claims	<u>(26,878)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(7,856)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>18,757</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$10,901</u></u>

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$93,137</u></u>
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Liabilities

Due to Students	<u><u>\$93,137</u></u>
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See accompanying notes to the basic financial statements

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's six instructional/support facilities staffed by 13 administrators, 3 supervisors, 188 certified employees and 129 classified employees who provide services to 2,661 students and other community members.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Fund Accounting

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

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

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

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Measurement Focus

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

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

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

Basis of Accounting

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 16 and 17.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenue and tuition. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 16 and 17)

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

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

Howland Local School District
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Pensions/Other Postemployment Benefits (OPEB)

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

Cash and Investments

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

The School District has invested funds during fiscal year 2018 in the State Treasury Asset Reserve of Ohio (STAR Ohio), money market mutual funds and negotiable certificates of deposit. Except STAR Ohio, investments are reported at fair value.

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 School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$47,618, of which \$4,387 was assigned from other School District funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

Howland Local School District
Notes to the Basic Financial Statements
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Inventory

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

Restricted Assets

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

Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building and Improvements	5 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	6 - 10 years
Textbooks	6 years

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Internal Activity

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

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

Fund Balance

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

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

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

Howland Local School District
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For the Fiscal Year Ended June 30, 2018

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State statute. State statute authorizes the Treasurer to assign fund balances for purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for instruction, trust and rotary functions, retirement and to cover a gap between revenues and appropriations in fiscal year 2019's appropriated budget.

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

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

Net Position

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

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

Operating Revenues and Expenses

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Estimates

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

Budgetary Data

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

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

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

Note 3 – Accountability

Fund balances at June 30, 2018, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Food Service	\$47,450
Title IV-B	74,221
Title I	37,210

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

Howland Local School District
Notes to the Basic Financial Statements
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Note 4 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
<i>Nonspendable</i>			
Prepaid Items	\$71,215	\$0	\$71,215
Materials and Supplies Inventory	0	2,977	2,977
Unclaimed Monies	9,113	0	9,113
<i>Total Nonspendable</i>	80,328	2,977	83,305
<i>Restricted for</i>			
Athletics	0	1,798	1,798
Auxiliary Services	0	69,054	69,054
Student Programs	0	19,599	19,599
Debt Service Payments	0	29,039	29,039
Capital Improvements	0	208,729	208,729
<i>Total Restricted</i>	0	328,219	328,219
<i>Committed to</i>			
Capital Improvements	0	325	325
<i>Assigned to</i>			
Instruction	52,647	0	52,647
Trust and Rotary Functions	29,399	0	29,399
Retirement	51,490	0	51,490
Purchases on Order:			
Instruction	402,618	0	402,618
Support Services	224,336	0	224,336
FY 2019 Operations	319,817	0	319,817
<i>Total Assigned</i>	1,080,307	0	1,080,307
<i>Unassigned (Deficit)</i>	0	(161,858)	(161,858)
<i>Total Fund Balances</i>	\$1,160,635	\$169,663	\$1,330,298

Note 5 - Budgetary Basis of Accounting

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

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

Net Change in Fund Balance	
	General
GAAP Basis	(\$2,312,082)
Net Adjustment for Revenue Accruals	235,953
Beginning Unrecorded Cash	21,349
Ending Unrecorded Cash	1,013
Perspective Difference:	
Special Trust	(3,000)
Uniform School Supply	(424)
Rotary	(377)
Public School Support	(2,886)
Retirement	179,941
Net Adjustment for Expenditure Accruals	371,105
Encumbrances	(716,887)
Budget Basis	(\$2,226,295)

Note 6 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

Investments may only be made through specified dealers and institutions. 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.

Investments

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Amortized Cost				
STAR Ohio	\$1,127,581	Average 48.9 Days	AAAm	N/A
Fair Value - Level One Inputs				
Money Market Mutual Funds	272,410	Less than 30 Days	AAA	9.39%
Negotiable Certificates of Deposit	<u>1,501,015</u>	Less than one year	N/A	51.74%
Total	<u><u>\$2,901,006</u></u>			

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The prior chart identifies the School District's recurring fair value measurements as of June 30, 2018. All of the School District's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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

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

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 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, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2018, was \$59,478 in the general fund and \$1,544 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2017, was \$41,297 in the general fund and \$1,022 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$515,341,720	97.98%	\$544,555,530	98.02%
Public Utility Personal	10,599,360	2.02	11,016,560	1.98
Total	\$525,941,080	100.00%	\$555,572,090	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$43.85		\$43.55	

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 - Receivables

Receivables at June 30, 2018, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Tuition	\$138,328
Title I Grant	105,816
Title VI-B Grant	100,179
Bureau of Workers Compensation	75,927
Title II-A Grant	28,325
Other Grants	9,412
Medicaid	7,172
SERS Refund	4,695
Fuel Tax Rebate	3,093
Total	\$472,947

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Capital Assets				
Land	\$806,570	\$0	\$0	\$806,570
Depreciable Capital Assets				
Buildings and Improvements	12,507,304	134,482	0	12,641,786
Furniture and Equipment	1,063,090	288,003	0	1,351,093
Vehicles	2,768,344	0	0	2,768,344
Textbooks	753,676	0	0	753,676
<i>Total at Historical Cost</i>	17,092,414	422,485	0	17,514,899
Less: Accumulated Depreciation				
Buildings and Improvements	(10,895,439)	(346,854)	0	(11,242,293)
Furniture and Equipment	(918,748)	(70,542)	0	(989,290)
Vehicles	(2,377,271)	(113,605)	0	(2,490,876)
Textbooks	(753,676)	0	0	(753,676)
<i>Total Accumulated Depreciation</i>	(14,945,134)	(531,001) *	0	(15,476,135)
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	2,147,280	(108,516)	0	2,038,764
<i>Governmental Activities Capital Assets, Net</i>	\$2,953,850	(\$108,516)	\$0	\$2,845,334

Howland Local School District
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For the Fiscal Year Ended June 30, 2018

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$214,350
Support Services	
Operation and Maintenance of Plant	15,970
Pupil Transportation	169,715
Operation of Non-Instructional Services	66,936
Operation of Food Service	4,710
Extracurricular Activities	59,320
Total Depreciation Expense	\$531,001

Note 10 – Long-Term Obligations

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

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

Changes in long-term obligations of the School District during fiscal year 2018 were as follows:

	Principal Outstanding June 30, 2017	Additions	Deductions	Principal Outstanding June 30, 2018	Amount Due in One Year
General Obligation Debt					
Energy Conservation Bonds	\$719,100	\$0	(\$95,880)	\$623,220	\$95,880
Other Long-term Obligations					
Net Pension Liability:					
STRS	40,642,780	0	(11,607,122)	29,035,658	0
SERS	9,220,038	0	(1,578,068)	7,641,970	0
<i>Total Net Pension Liability</i>	49,862,818	0	(13,185,190)	36,677,628	0
Net OPEB Liability:					
STRS	6,493,549	0	(1,724,640)	4,768,909	0
SERS	3,643,693	0	(155,484)	3,488,209	0
<i>Total Net OPEB Liability</i>	10,137,242	0	(1,880,124)	8,257,118	0
Special Termination Benefits	0	19,200	0	19,200	9,600
Compensated Absences	2,939,770	946,476	(685,573)	3,200,673	760,445
<i>Total Other Long-term Obligations</i>	62,939,830	965,676	(15,750,887)	48,154,619	770,045
<i>Total Long-Term Liabilities</i>	\$63,658,930	\$965,676	(\$15,846,767)	\$48,777,839	\$865,925

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

Howland Local School District
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Compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds: the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. For additional information related to the net pension liability see Notes 16 and 17.

The overall debt margin of the School District as of June 30, 2018, was \$49,407,307 with an unvoted debt margin of \$555,572.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	Energy Conservation Improvement Bonds - Series 2010		
	Principal	Interest	Total
2019	\$95,880	\$31,520	\$127,400
2020	95,880	26,477	122,357
2021	95,880	21,435	117,315
2022	95,880	16,391	112,271
2023	95,880	11,347	107,227
2024 - 2025	143,820	7,565	151,385
Total	<u>\$623,220</u>	<u>\$114,735</u>	<u>\$737,955</u>

Note 11 - Jointly Governed Organizations

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

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Howland Local School District paid \$114,029 to NEOMIN during fiscal year 2018.

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

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

The State Support Team Region 5 is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Howland Local School District did not make any contributions to the State Support Team Region 5 during fiscal year 2018. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 7320 N Palmyra Road, Canfield, Ohio 44406.

Note 12 – Public Entity Pools

Insurance Purchasing Pool

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

Participants paid an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop-loss insurance coverage through OSBC's third party administrator. The School District participates in the first option. Medical Mutual/Delta Dental is the Administrator of the OSBC. During fiscal year 2018, the School District elected to participate in the joint insurance program for medical and dental coverage.

Note 13 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2018, the School District contracted with Casualty Insurance for the following insurance coverage:

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

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

Employee Health Benefits

Effective January 1, 2016, the School District transitioned to a fully-funded insurance program for medical and dental. The self-insurance fund was utilized to cover premium amounts paid to the new health insurance provider during the first month of insurance coverage period. The self-insurance fund is being utilized for the transition period to account for any run-off claims dated prior to January 1, 2016. The School District is using the remaining net position from January 1, 2016, to offset reserve requirements. There is no claims liability reported in the fund at June 30, 2018. In addition, the School District switched insurance providers to Medical Mutual and Delta Dental and joined the Ohio Schools Benefits Cooperative (OSBC) (See Note 12).

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

Employee	Employee/ Spouse	Employee/ Children	Family
\$801.33	\$1,147.63	\$1,563.21	\$2,013.42

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

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

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

Worker's Compensation

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14 - Other Employee Benefits

Compensated Absences

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

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

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

Life Insurance Benefits

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

Retirement Incentive

The School District's Board of Education offered employees participation in a special termination benefit specific to a Health Reimbursement Incentive (HRI) program in fiscal year 2018. Participation was open to all employees who were eligible for service retirement under the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) pursuant to O.R.C. 3307.38 and any applicable STRS/SERS regulations. In fiscal year 2018, 4 employees took the retirement incentive equating to \$19,200. The HRI will be paid out over 2 fiscal years.

Note 15 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

School Foundation

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 have been finalized and were determined to be insignificant.

Litigation

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

Note 16 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB 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 these estimates 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 and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable.

Howland Local School District
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The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

Howland Local School District
Notes to the Basic Financial Statements
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The School District's contractually required contribution to SERS was \$560,388 for fiscal year 2018. Of this amount \$46,672 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

Howland Local School District
Notes to the Basic Financial Statements
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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, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,995,425 for fiscal year 2018. Of this amount \$260,224 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.12597270%	0.12141954%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.12790380%</u>	<u>0.12222857%</u>	
Change in Proportionate Share	<u>0.00193110%</u>	<u>0.00080903%</u>	
Proportionate Share of the Net			
Pension Liability	\$7,641,970	\$29,035,658	\$36,677,628
Pension Expense	(\$336,542)	(\$11,294,841)	(\$11,631,383)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Howland Local School District
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$328,884	\$1,121,221	\$1,450,105
Changes of assumptions	395,172	6,350,418	6,745,590
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	82,933	184,915	267,848
School District contributions subsequent to the measurement date	<u>560,388</u>	<u>1,995,425</u>	<u>2,555,813</u>
Total Deferred Outflows of Resources	<u><u>\$1,367,377</u></u>	<u><u>\$9,651,979</u></u>	<u><u>\$11,019,356</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$234,016	\$234,016
Net difference between projected and actual earnings on pension plan investments	36,275	958,211	994,486
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>73,908</u>	<u>317,717</u>	<u>391,625</u>
Total Deferred Inflows of Resources	<u><u>\$110,183</u></u>	<u><u>\$1,509,944</u></u>	<u><u>\$1,620,127</u></u>

\$2,555,813 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$274,249	\$1,223,203	\$1,497,452
2020	462,948	2,526,698	2,989,646
2021	137,759	1,843,244	1,981,003
2022	<u>(178,150)</u>	<u>553,465</u>	<u>375,315</u>
Total	<u><u>\$696,806</u></u>	<u><u>\$6,146,610</u></u>	<u><u>\$6,843,416</u></u>

Actuarial Assumptions - SERS

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

Howland Local School District
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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, 2017, 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	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the 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 most recent experience study was completed for the five year period ended June 30, 2015.

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

Howland Local School District
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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$10,605,068	\$7,641,970	\$5,159,770

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented as follows:

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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 that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$41,621,629	\$29,035,658	\$18,433,866

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 17 - Defined Benefit OPEB Plans

See Note 16 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$68,318.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$89,073 for fiscal year 2018. Of this amount \$70,047 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.12783230%	0.12141954%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.12997580%</u>	<u>0.12222857%</u>	
Change in Proportionate Share	<u>0.00214350%</u>	<u>0.00080903%</u>	
Proportionate Share of the Net OPEB Liability	\$3,488,209	\$4,768,909	\$8,257,118
OPEB Expense	\$220,986	(\$1,449,032)	(\$1,228,046)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$275,291	\$275,291
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	35,441	37,086	72,527
School District contributions subsequent to the measurement date	<u>89,073</u>	<u>0</u>	<u>89,073</u>
Total Deferred Outflows of Resources	<u>\$124,514</u>	<u>\$312,377</u>	<u>\$436,891</u>
Deferred Inflows of Resources			
Changes of assumptions	\$331,013	\$384,151	\$715,164
Net difference between projected and actual earnings on OPEB plan investments	<u>9,212</u>	<u>203,834</u>	<u>213,046</u>
Total Deferred Inflows of Resources	<u>\$340,225</u>	<u>\$587,985</u>	<u>\$928,210</u>

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

\$89,073 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	(\$109,394)	(\$62,921)	(\$172,315)
2020	(109,394)	(62,921)	(172,315)
2021	(83,692)	(62,921)	(146,613)
2022	(2,304)	(62,922)	(65,226)
2023	0	(11,963)	(11,963)
Thereafter	0	(11,960)	(11,960)
Total	(\$304,784)	(\$275,608)	(\$580,392)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented as follows:

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 higher decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$4,212,456	\$3,488,209	\$2,914,420

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$2,830,420	\$3,488,209	\$4,358,804

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$6,402,182	\$4,768,909	\$3,478,087

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$3,313,233	\$4,768,909	\$6,684,746

Note 18 - Set Asides

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

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

	Capital Improvements
Set Aside Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	493,079
Current Year Offsets	(507,363)
Qualifying Disbursements	(454,052)
Total	(\$468,336)
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2018	\$0

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

Note 19 - Encumbrances

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

Governmental Funds	
General	\$716,887
Other Governmental Funds	90,252
<i>Total Governmental Funds</i>	\$807,139

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 20 - Interfund Transfers

The general fund transferred \$66,498 to the district managed student activity special revenue fund to help fund athletic events. The title II-A special revenue fund transferred \$52,554 to the title I special revenue fund as a schoolwide/transferability adjustment.

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

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	(\$36,967,771)
Adjustments:	
Net OPEB Liability	(10,137,242)
Deferred Outflow - Payments Subsequent to Measurement Date	71,686
Restated Net Position June 30, 2017	(\$47,033,327)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 22 – Tax Abatements

School District property taxes were reduced as follows under enterprise zone agreements entered into by overlapping governments:

Overlapping Government	Amount of Fiscal Year 2018 Taxes Abated
<i>Enterprise Zone Agreement:</i> Howland Township	\$10,201

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 23 – Subsequent Event

On January 28, 2019 the Board of Education approved the authorization of utilizing lease-purchase financing for the purpose of acquiring energy efficiency equipment and improvements, as well as field turf, in a principal amount not to exceed \$3,500,000.

Required Supplementary Information

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.12790380%	0.12597270%	0.12760150%
School District's Proportionate Share of the Net Pension Liability	\$7,641,970	\$9,220,038	\$7,281,065
School District's Covered Payroll	\$4,026,621	\$3,912,243	\$3,841,472
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	189.79%	235.67%	189.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.12941300%	0.12941300%
\$6,549,518	\$7,695,776
\$3,978,656	\$3,822,008
164.62%	201.35%
71.70%	65.52%

Howland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.12997580%	0.12783230%
School District's Proportionate Share of the Net OPEB Liability	\$3,488,209	\$3,643,693
School District's Covered Payroll	\$4,026,621	\$3,912,243
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	86.63%	93.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.12222857%	0.12141954%	0.12232265%
School District's Proportionate Share of the Net Pension Liability	\$29,035,658	\$40,642,780	\$33,806,403
School District's Covered Payroll	\$13,498,843	\$12,775,671	\$12,762,321
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	215.10%	318.13%	264.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.12349060%	0.12349060%
\$30,037,188	\$35,780,101
\$12,617,331	\$13,467,615
238.06%	265.68%
74.70%	69.30%

Howland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.12222857%	0.12141954%
School District's Proportionate Share of the Net OPEB Liability	\$4,768,909	\$6,493,549
School District's Covered Payroll	\$13,498,843	\$12,775,671
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.33%	50.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$560,388	\$563,727	\$547,714	\$506,306
Contributions in Relation to the Contractually Required Contribution	<u>(560,388)</u>	<u>(563,727)</u>	<u>(547,714)</u>	<u>(506,306)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,151,022	\$4,026,621	\$3,912,243	\$3,841,472
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	89,073	71,686	65,425	98,149
Contributions in Relation to the Contractually Required Contribution	<u>(89,073)</u>	<u>(71,686)</u>	<u>(65,425)</u>	<u>(98,149)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.15%</u>	<u>1.78%</u>	<u>1.67%</u>	<u>2.55%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.65%</u>	<u>15.78%</u>	<u>15.67%</u>	<u>15.73%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
\$551,442	\$528,966	\$531,784	\$531,714	\$578,542	\$409,812
(551,442)	(528,966)	(531,784)	(531,714)	(578,542)	(409,812)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,978,656	\$3,822,008	\$3,953,787	\$4,230,025	\$4,272,833	\$4,164,752
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
68,721	80,172	103,172	139,470	97,455	217,374
(68,721)	(80,172)	(103,172)	(139,470)	(97,455)	(217,374)
\$0	\$0	\$0	\$0	\$0	\$0
1.73%	2.10%	2.61%	3.30%	2.28%	5.22%
15.59%	15.94%	16.06%	15.87%	15.82%	15.06%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,995,425	\$1,889,838	\$1,788,594	\$1,786,725
Contributions in Relation to the Contractually Required Contribution	<u>(1,995,425)</u>	<u>(1,889,838)</u>	<u>(1,788,594)</u>	<u>(1,786,725)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$14,253,036	\$13,498,843	\$12,775,671	\$12,762,321
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$1,640,253	\$1,750,790	\$1,747,858	\$1,862,007	\$1,846,312	\$1,794,038
<u>(1,640,253)</u>	<u>(1,750,790)</u>	<u>(1,747,858)</u>	<u>(1,862,007)</u>	<u>(1,846,312)</u>	<u>(1,794,038)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$12,617,331	\$13,467,615	\$13,445,062	\$14,323,131	\$14,202,400	\$13,800,292
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$126,173	\$134,676	\$134,451	\$143,231	\$142,024	\$138,003
<u>(126,173)</u>	<u>(134,676)</u>	<u>(134,451)</u>	<u>(143,231)</u>	<u>(142,024)</u>	<u>(138,003)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Howland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

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

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-

Howland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Howland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	N/A	63,317
Cash Assistance			
National School Breakfast Program	10.553	050161-3L70-2018	79,188
National School Lunch Program	10.555	050161-3L60-2018	354,355
Total Cash Assistance			<u>433,543</u>
Total U.S. Department of Agriculture/Nutrition Cluster			<u>496,860</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I:			
Title I Grants to Local Educational Agencies	84.010	050161-3M00-2017	81,969
Title I Grants to Local Educational Agencies	84.010	050161-3M00-2018	432,724
Total Title I:			<u>514,693</u>
Special Education Cluster			
Special Education Grants to States (IDEA, Part B)	84.027	050161-3M20-2017	46,711
Special Education Grants to States (IDEA, Part B)	84.027	050161-3M20-2018	517,757
Total Special Education Cluster			<u>564,468</u>
Student Support Academic Enrichment	84.424	050161-3HI0-2018	2,555
Total U.S. Department of Education			<u>1,081,716</u>
Total Expenditures of Federal Awards			<u>\$1,578,576</u>

The accompanying notes are an integral part of this schedule.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Howland Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - 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 E – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2019 wherein we noted the District adopted Governmental Accounting Standards Board Statement 75.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

April 5, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for Major Federal Program

We have audited (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Howland Local School District's major federal programs for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Nutrition Cluster and Title I Grants to Local Education Agencies

As described in Findings 2018-001 and 2018-002 in the accompanying schedule of findings, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2018-001	10.553-.555	Nutrition Cluster	Eligibility
2018-002	84.010	Title I Grants to Local Education Agencies	Allowable Costs

Compliance with these requirements is necessary, in our opinion, for the District to comply with the requirements applicable to these programs.

Qualified Opinion on Nutrition Cluster and Title I Grants to Local Education Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Nutrition Cluster and Title I Grants to Local Education Agencies* paragraph, Howland Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Nutrition Cluster and Title I Grants to Local Education Agencies Programs* for the year ended June 30, 2018.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement.

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2018-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2018-001 to be a significant deficiency.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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



Keith Faber
Auditor of State

Columbus, Ohio

April 5, 2019

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified for Nutrition Cluster and Title I Grants to Local Education Agencies
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster, CFDA Number(s) 10.553, 10.555 and Title I Grants to Local Education Agencies, CFDA Number 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Eligibility Determinations

Finding Number	2018-001		
CFDA Title and Number	Nutrition Cluster (CFDAs 10.553 and 10.555)		
Federal Award Identification Number / Year	2018		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Eligibility		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	

Noncompliance and Significant Deficiency

7 CFR Part 245 provides guidance on free and reduced price lunch eligibility determinations for school districts. The District determines whether student(s) will receive a free, reduced, or full paid lunch based on analysis of household income with respect to certain federal poverty guideline percentages.

The District denied one application that should have been categorized as reduced which resulted in one incorrect determination out of twenty-five tested or 4%.

The District did not have adequate controls in place to help prevent or detect this error.

The District should carefully review the free and reduced guidelines to help ensure the correct determination is being made for each student.

Officials' Response See Corrective Action Plan.

2. Allowable Cost Principles

Finding Number	2018-002		
CFDA Title and Number	Title I Grants to Local Education Agencies (CFDA 84.010)		
Federal Award Identification Number / Year	2018		
Federal Agency	U.S. Department of Education		
Compliance Requirement	Allowable Cost Principles		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	

Noncompliance and Material Weakness

2 CFR Part 225, Appendix B paragraph 8(h)(3)-(4) provides where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of the appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

2 CFR Part 225, Appendix B, paragraph 8(h)(5) further provides that personnel activity reports or equivalent documentation must:

- Reflect an after the fact distribution of the actual activity of each employee;
- Account for the total activity for which each employee is compensated;
- Be prepared at least monthly and must coincide with one or more pay periods; and,
- Be signed by the employee.

The District could not provide semi-annual certifications or other approved time and effort documentation for 3 out of 15 transactions tested which results in a 20% control failure rate. In addition, existing semi-annual certification forms were completed before the work was performed. Failure to complete semi-annual certification forms after the work is performed could result in questioned costs and could compromise the District's eligibility to participate in future Federal grant programs.

The District should complete the necessary time and effort documentation, such as semi-annual certifications, for employees who work solely on a single federal award or cost objective. In addition, the time and effort documentation should be completed after the activity period of the employee's performance.

Officials' Response See Corrective Action Plan.

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Howland Local Schools

ADMINISTRATIVE OFFICES

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Verification of Free and Reduced Lunch Applications	On Going	AVI administrative assistant will data enter all applications acting as the first verification official, the resident director will review each acting as the second verification official. Once applications are data entered and verified by both, the applications will be submitted to the district for third verification to ensure all data has been entered correctly.



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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Verification of Free and Reduced Lunch Applications	Ongoing	AVI Administrative assistant will data enter all applications acting as the first verification official, the resident director will review each acting as the second verification official. Once applications are data entered and verified by both above, the applications will be submitted to the district Treasurer for a third verification to ensure all data has been entered correctly.
2018-002	Semi-annual certifications	Completed	The CCIP coordinator has received required semi-annual certifications.

OHIO AUDITOR OF STATE KEITH FABER



HOWLAND LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 14, 2019**