



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2022**

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2020**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, Ohio (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

As discussed in Note 21 to the 2022 financial statements, respectively, the financial impact of COVID-19 and the emergency measures may impact subsequent periods of the District. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards (the Schedule) 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

January 23, 2023

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**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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As management of the Howland Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2022. 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 in fiscal year 2022 due mainly to an increase in cash and cash equivalents coupled with an increase in capital assets and a decrease in the net pension/OPEB liabilities.
- The capital asset additions for fiscal year 2022 included work on the middle school parking loop, completion of the high school parking loop, stadium bleachers, renovation at the tennis courts and various pieces of equipment.
- Long-term liabilities decreased during fiscal year 2022 due to a decrease in the net pension liability, which was coupled with the School District making its annual debt payments.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

### **Overview of the Financial Statements**

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

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

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

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

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

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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

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

***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 2022 compared to 2021.

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

**Table 1**  
**Net Position**  
**Governmental Activities**

	2022	2021	Change
<b>Assets</b>			
Current and Other Assets	\$31,467,415	\$29,842,785	\$1,624,630
Net OPEB Asset	2,372,900	1,984,892	388,008
Capital Assets, Net	6,095,395	5,061,635	1,033,760
<b>Total Assets</b>	<b>39,935,710</b>	<b>36,889,312</b>	<b>3,046,398</b>
<b>Deferred Outflows of Resources</b>			
Pension	7,271,147	5,873,714	1,397,433
OPEB	717,370	831,415	(114,045)
<i>Total Deferred Outflows of Resources</i>	<i>7,988,517</i>	<i>6,705,129</i>	<i>1,283,388</i>
<b>Liabilities</b>			
Current Liabilities	4,789,759	3,970,672	(819,087)
Long-Term Liabilities			
Due Within One Year	1,865,373	1,500,750	(364,623)
Due in More Than One Year:			
Net Pension Liability	18,672,222	34,910,175	16,237,953
Net OPEB Liability	2,270,219	2,591,672	321,453
Other Amounts	5,414,281	5,740,717	326,436
<i>Total Liabilities</i>	<i>33,011,854</i>	<i>48,713,986</i>	<i>15,702,132</i>
<b>Deferred Inflows of Resources</b>			
Property Taxes	21,679,249	21,342,635	(336,614)
Pension	15,898,491	1,586,974	(14,311,517)
OPEB	4,212,283	3,946,438	(265,845)
<i>Total Deferred Inflows of Resources</i>	<i>41,790,023</i>	<i>26,876,047</i>	<i>(14,913,976)</i>
<b>Net Position</b>			
Net Investment in Capital Assets	2,356,034	1,678,641	677,393
Restricted for:			
Capital Projects	236,187	289,584	(53,397)
Debt Service	64,963	54,654	10,309
Other Purposes	1,229,099	647,272	581,827
Unclaimed Monies	9,579	9,507	72
Unrestricted (Deficit)	(30,773,512)	(34,675,250)	3,901,738
<i>Total Net Position</i>	<i>(\$26,877,650)</i>	<i>(\$31,995,592)</i>	<i>\$5,117,942</i>

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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The net pension liability (NPL) is the largest liability reported by the School District at June 30, 2022. 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 contributions to provide for these OPEB benefits.

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 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.

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. For the School District, total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by (\$26,877,650) in fiscal year 2022 and (\$31,995,592) in fiscal year 2021.

A portion of the School District’s net position reflects “Net Investment in Capital Assets” (i.e. land, buildings, improvements, furniture, fixtures, equipment and vehicles) less any related debt to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School District’s investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current assets increased primarily due to an increase in cash and cash equivalents and taxes receivable as the School District collected a full year of property tax revenues on a new emergency levy. The increase in capital assets was due to increased capital expenditures as the School District used a significant amount of its coronavirus relief funding during the fiscal year.

Liabilities decreased which can be attributed to a decrease in the net pension liability attributed to the School District, coupled with the continued annual debt payments.

Table 2 shows the changes in net position for fiscal year 2022 compared to 2021.

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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

	2022	2021	Change
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,977,783	\$2,511,710	(\$533,927)
Operating Grants and Contributions	5,397,921	4,659,176	738,745
Capital Grants and Contributions	27,212	0	27,212
<i>Total Program Revenues</i>	<u>7,402,916</u>	<u>7,170,886</u>	<u>232,030</u>
<b>General Revenues</b>			
Property Taxes	21,730,709	21,438,548	292,161
Grants and Entitlements	8,713,223	9,120,663	(407,440)
Unrestricted Contributions	101,528	79,631	21,897
Investment Earnings	20,295	11,603	8,692
Gain on Sale of Capital Assets	0	873	(873)
Miscellaneous	201,410	569,904	(368,494)
<i>Total General Revenues</i>	<u>30,767,165</u>	<u>31,221,222</u>	<u>(454,057)</u>
<i>Total Revenues</i>	<u>38,170,081</u>	<u>38,392,108</u>	<u>(222,027)</u>
<b>Program Expenses</b>			
Instruction:			
Regular	15,107,539	19,013,906	3,906,367
Special	4,045,974	4,713,246	667,272
Vocational	220,922	259,427	38,505
Student Intervention Services	0	47,026	47,026
Support Services			
Pupils	1,838,258	1,947,272	109,014
Instructional Staff	726,908	751,641	24,733
Board of Education	51,559	55,988	4,429
Administration	2,038,857	2,477,833	438,976
Fiscal	815,982	808,620	(7,362)
Business	366,841	472,853	106,012
Operation and Maintenance of Plant	2,965,902	3,142,999	177,097
Pupil Transportation	2,253,036	1,865,393	(387,643)
Central	176,835	420,680	243,845
Operation of Non-Instructional Services	422,369	437,164	14,795
Operation of Food Services	923,437	836,931	(86,506)
Extracurricular Activities	946,639	818,396	(128,243)
Interest and Fiscal Charges	151,081	138,302	(12,779)
<i>Total Program Expenses</i>	<u>33,052,139</u>	<u>38,207,677</u>	<u>5,155,538</u>
<i>Change in Net Position</i>	5,117,942	184,431	4,933,511
Net Position Beginning of Year	<u>(31,995,592)</u>	<u>(32,180,023)</u>	184,431
Net Position End of Year	<u><u>(\$26,877,650)</u></u>	<u><u>(\$31,995,592)</u></u>	<u><u>\$5,117,942</u></u>

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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***Governmental Activities***

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

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Program revenues increased for governmental activities in fiscal year 2022. Charges for services decreased due to a decrease in tuition and fees revenue. Operating grants increased due to the School District seeking out restricted grant monies as additional sources of operating revenues. General revenues decreased in fiscal year 2022 resulting from a decrease in State funding and a decrease in workers' compensation refunds received during the fiscal year.

The largest component of the increase in program expenses results from increases in instructional and central support service expenses. These increases are primarily due to both certified and classified staff receiving a wage reopener for this fiscal year.

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 2022 compared to 2021. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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

	2022		2021	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$15,107,539	\$13,143,134	\$19,013,906	\$16,706,076
Special	4,045,974	2,896,973	4,713,246	3,042,207
Vocational	220,922	172,874	259,427	181,628
Student Intervention Services	0	0	47,026	42,827
Support Services:				
Pupils	1,838,258	1,795,670	1,947,272	1,724,162
Instructional Staff	726,908	710,555	751,641	683,490
Board of Education	51,559	51,559	55,988	55,988
Administration	2,038,857	2,038,857	2,477,833	2,477,833
Fiscal	815,982	815,982	808,620	808,620
Business	366,841	366,841	472,853	472,853
Operation and Maintenance of Plant	2,965,902	1,700,095	3,142,999	2,661,787
Pupil Transportation	2,253,036	2,177,542	1,865,393	1,767,899
Central	176,835	159,176	420,680	126,726
Operation of Non-Instructional Services	422,369	150,810	437,164	83,241
Operation of Food Services	923,437	(714,855)	836,931	(137,903)
Extracurricular Activities	946,639	32,929	818,396	201,055
Interest and Fiscal Charges	151,081	151,081	138,302	138,302
<b>Total</b>	<b>\$33,052,139</b>	<b>\$25,649,223</b>	<b>\$38,207,677</b>	<b>\$31,036,791</b>

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 an increase in fund balance as revenues continued to exceed expenditures and the School District again saw an increase in property tax collections.

**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 2022, 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.

**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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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 property taxes and intergovernmental anticipated revenues as current funding levels became more identifiable.

The final budget appropriations remained relatively consistent with the original budget appropriations of the general fund. There were very minimal changes in 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 2022, the School District's capital asset additions included work on the middle school parking loop, completion of the high school parking loop, stadium bleachers, renovation at the tennis courts and various pieces of equipment. 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.

During fiscal year 2019, the School District entered into a financed purchase from direct borrowing in the amount of \$3,500,000 for the purpose of acquiring energy efficiency equipment and improvements, as well as field turf. This debt will be repaid over a fifteen year period with a final payment being made in fiscal year 2034. The financed purchase from direct borrowing will be paid from the permanent improvements capital projects fund.

During fiscal year 2020, the School District entered into a financed purchase from direct borrowing in the amount of \$320,223 for the purpose of upgrading the scoreboard at the School District's athletic facilities. This debt will be repaid over a five year period with a final payment being made in fiscal year 2024. The financed purchase from direct borrowing will be paid from the general fund.

The overall debt margin of the School District as of June 30, 2022, was \$53,886,627 with an unvoted debt margin of \$600,555. 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.



**Howland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

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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.

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 Julie Sloan, Treasurer, Howland Local School District, 8200 South St. SE, Warren, Ohio 44484.

**Howland Local School District**

*Statement of Net Position*

*June 30, 2022*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,121,580
Accounts Receivable	14,669
Intergovernmental Receivable	1,071,544
Prepaid Items	92,240
Inventory Held for Resale	7,761
Materials and Supplies Inventory	39,278
Taxes Receivable	23,120,343
Net OPEB Asset (See Note 18)	2,372,900
Nondepreciable Capital Assets	1,061,490
Depreciable Capital Assets, Net	<u>5,033,905</u>
<i>Total Assets</i>	<u>39,935,710</u>
<b>Deferred Outflows of Resources</b>	
Pension	7,271,147
OPEB	<u>717,370</u>
<i>Total Deferred Outflows of Resources</i>	<u>7,988,517</u>
<b>Liabilities</b>	
Accounts Payable	212,639
Contracts Payable	352,214
Accrued Wages Payable	3,426,759
Intergovernmental Payable	664,486
Unearned Revenue	1,926
Accrued Interest Payable	11,415
Matured Compensated Absences Payable	120,320
Long-Term Liabilities:	
Due Within One Year	1,865,373
Due In More Than One Year:	
Net Pension Liability (See Note 17)	18,672,222
Net OPEB Liability (See Note 18)	2,270,219
Other Amounts	<u>5,414,281</u>
<i>Total Liabilities</i>	<u>33,011,854</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	21,679,249
Pension	15,898,491
OPEB	<u>4,212,283</u>
<i>Total Deferred Inflows of Resources</i>	<u>41,790,023</u>
<b>Net Position</b>	
Net Investment in Capital Assets	2,356,034
Restricted for:	
Capital Projects	236,187
Debt Service	64,963
Other Purposes	1,229,099
Unclaimed Monies	9,579
Unrestricted (Deficit)	<u>(30,773,512)</u>
<i>Total Net Position</i>	<u><u>(\$26,877,650)</u></u>

See accompanying notes to the basic financial statements

**Howland Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2022

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$15,107,539	\$775,917	\$1,188,488	\$0	(\$13,143,134)
Special	4,045,974	201,522	947,479	0	(2,896,973)
Vocational	220,922	13,068	34,980	0	(172,874)
Support Services:					
Pupils	1,838,258	0	42,588	0	(1,795,670)
Instructional Staff	726,908	0	16,353	0	(710,555)
Board of Education	51,559	0	0	0	(51,559)
Administration	2,038,857	0	0	0	(2,038,857)
Fiscal	815,982	0	0	0	(815,982)
Business	366,841	0	0	0	(366,841)
Operation and Maintenance of Plant	2,965,902	29,937	1,208,658	27,212	(1,700,095)
Pupil Transportation	2,253,036	0	75,494	0	(2,177,542)
Central	176,835	0	17,659	0	(159,176)
Operation of Non-Instructional Services	422,369	0	271,559	0	(150,810)
Operation of Food Services	923,437	69,361	1,568,931	0	714,855
Extracurricular Activities	946,639	887,978	25,732	0	(32,929)
Interest and Fiscal Charges	151,081	0	0	0	(151,081)
<i>Totals</i>	<u>\$33,052,139</u>	<u>\$1,977,783</u>	<u>\$5,397,921</u>	<u>\$27,212</u>	<u>(25,649,223)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	21,138,019
Debt Service	112,271
Capital Outlay	480,419

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Contributions	8,713,223
Investment Earnings	101,528
Miscellaneous	20,295
	<u>201,410</u>

*Total General Revenues*

30,767,165

Change in Net Position

5,117,942

*Net Position Beginning of Year*

(31,995,592)

*Net Position End of Year*

(\$26,877,650)

See accompanying notes to the basic financial statements

**Howland Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2022*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,759,803	\$1,352,198	\$7,112,001
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	9,579	0	9,579
Taxes Receivable	22,500,949	619,394	23,120,343
Accounts Receivable	14,669	0	14,669
Intergovernmental Receivable	438,680	632,864	1,071,544
Interfund Receivable	32,828	0	32,828
Prepaid Items	92,240	0	92,240
Inventory Held for Resale	0	7,761	7,761
Materials and Supplies Inventory	33,480	5,798	39,278
<i>Total Assets</i>	<u>\$28,882,228</u>	<u>\$2,618,015</u>	<u>\$31,500,243</u>
<b>Liabilities</b>			
Accounts Payable	\$70,816	\$141,823	\$212,639
Contracts Payable	10,206	342,008	352,214
Accrued Wages Payable	3,221,673	205,086	3,426,759
Interfund Payable	0	32,828	32,828
Intergovernmental Payable	620,089	44,397	664,486
Matured Compensated Absences Payable	120,320	0	120,320
Unearned Revenue	0	1,926	1,926
<i>Total Liabilities</i>	<u>4,043,104</u>	<u>768,068</u>	<u>4,811,172</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	21,092,111	587,138	21,679,249
Unavailable Revenue	1,735,423	224,992	1,960,415
<i>Total Deferred Inflows of Resources</i>	<u>22,827,534</u>	<u>812,130</u>	<u>23,639,664</u>
<b>Fund Balances</b>			
Nonspendable	135,299	5,798	141,097
Restricted	0	1,225,666	1,225,666
Committed	0	1,522	1,522
Assigned	1,026,957	0	1,026,957
Unassigned (Deficit)	849,334	(195,169)	654,165
<i>Total Fund Balances</i>	<u>2,011,590</u>	<u>1,037,817</u>	<u>3,049,407</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$28,882,228</u>	<u>\$2,618,015</u>	<u>\$31,500,243</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, 2022*

<b>Total Governmental Fund Balances</b>	<b>\$3,049,407</b>
 <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.	6,095,395
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	1,332,381
Intergovernmental	195,169
Tuition and Fees	293,990
Miscellaneous	<u>138,875</u>
Total	1,960,415
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(11,415)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Energy Conservation Bonds	(239,700)
Financed Purchases	(3,125,735)
Leases Payable	(271,618)
Compensated Absences	<u>(3,642,601)</u>
Total	(7,279,654)
The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds.	
Net OPEB Asset	2,372,900
Deferred Outflows - Pension	7,271,147
Deferred Outflows - OPEB	717,370
Net Pension Liability	(18,672,222)
Net OPEB Liability	(2,270,219)
Deferred Inflows - Pension	(15,898,491)
Deferred Inflows - OPEB	<u>(4,212,283)</u>
Total	<u>(30,691,798)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$26,877,650)</u></u>

See accompanying notes to the basic financial statements

**Howland Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2022*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$21,205,144	\$594,095	\$21,799,239
Intergovernmental	9,046,914	5,115,051	14,161,965
Interest	20,295	0	20,295
Tuition and Fees	1,005,437	0	1,005,437
Extracurricular Activities	131,501	231,164	362,665
Contributions and Donations	101,528	52,944	154,472
Charges for Services	525,313	69,361	594,674
Rentals	29,937	0	29,937
Miscellaneous	172,719	82,567	255,286
<i>Total Revenues</i>	<u>32,238,788</u>	<u>6,145,182</u>	<u>38,383,970</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	15,258,944	1,288,533	16,547,477
Special	3,902,032	573,203	4,475,235
Vocational	246,619	0	246,619
Support Services:			
Pupils	1,856,725	142,788	1,999,513
Instructional Staff	719,478	90,026	809,504
Board of Education	51,559	0	51,559
Administration	2,316,291	0	2,316,291
Fiscal	868,278	8,563	876,841
Business	395,764	0	395,764
Operation and Maintenance of Plant	2,926,612	1,353,155	4,279,767
Pupil Transportation	2,215,005	67,754	2,282,759
Central	168,176	8,659	176,835
Operation of Non-Instructional Services	70,310	339,244	409,554
Operation of Food Services	0	991,027	991,027
Extracurricular Activities	705,050	272,082	977,132
Capital Outlay	297,408	335,265	632,673
Debt Service:			
Principal Retirement	93,735	285,194	378,929
Interest and Fiscal Charges	5,181	146,975	152,156
<i>Total Expenditures</i>	<u>32,097,167</u>	<u>5,902,468</u>	<u>37,999,635</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>141,621</u>	<u>242,714</u>	<u>384,335</u>
<b>Other Financing Sources (Uses)</b>			
Inception of Lease	297,408	0	297,408
Transfers In	0	31,501	31,501
Transfers Out	(31,501)	0	(31,501)
<i>Total Other Financing Sources (Uses)</i>	<u>265,907</u>	<u>31,501</u>	<u>297,408</u>
<i>Net Change in Fund Balances</i>	407,528	274,215	681,743
<i>Fund Balances Beginning of Year</i>	<u>1,604,062</u>	<u>763,602</u>	<u>2,367,664</u>
<i>Fund Balances End of Year</i>	<u>\$2,011,590</u>	<u>\$1,037,817</u>	<u>\$3,049,407</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, 2022*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$681,743</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Asset Additions	1,519,599
Current Year Depreciation	<u>(485,839)</u>
Total	1,033,760
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	(68,530)
Intergovernmental	(76,553)
Tuition and Fees	(14,930)
Miscellaneous	<u>(53,876)</u>
Total	(213,889)
Other financing sources in the governmental funds, such as the inception of a lease, increase long-term liabilities in the statement of net position.	
	(297,408)
Repayment of long-term obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	
	378,929
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	1,075
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	(119,708)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	2,689,803
OPEB	<u>78,667</u>
Total	2,768,470
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset/liability are reported as pension/OPEB expense in the statement of activities.	
Pension	634,066
OPEB	<u>250,904</u>
Total	<u>884,970</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$5,117,942</u></u>

See accompanying notes to the basic financial statements

**Howland Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$22,362,722	\$21,141,415	\$21,141,415	\$0
Intergovernmental	9,573,687	9,050,835	9,050,835	0
Interest	26,394	24,953	20,804	(4,149)
Tuition and Fees	1,063,646	1,005,557	1,005,557	0
Extracurricular Activities	1,458	1,378	1,378	0
Contributions and Donations	74,178	70,127	70,127	0
Charges for Services	555,660	525,313	525,313	0
Rentals	30,989	29,297	29,297	0
Miscellaneous	142,688	134,895	134,623	(272)
<i>Total Revenues</i>	<u>33,831,422</u>	<u>31,983,770</u>	<u>31,979,349</u>	<u>(4,421)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,910,994	14,930,028	14,930,028	0
Special	3,802,485	3,807,317	3,807,317	0
Vocational	245,177	245,489	245,489	0
Student Intervention Services	38,685	0	0	0
Support Services:				
Pupils	1,839,170	1,841,507	1,841,507	0
Instructional Staff	702,130	703,022	703,022	0
Board of Education	54,178	54,247	54,247	0
Administration	2,384,623	2,387,653	2,387,653	0
Fiscal	874,149	875,260	875,260	0
Business	468,673	469,309	469,309	0
Operation and Maintenance of Plant	3,399,106	3,403,428	3,403,428	0
Pupil Transportation	2,393,227	2,396,268	2,396,268	0
Central	267,042	267,381	267,381	0
Operation of Non-Instructional Services	46,521	46,580	46,580	0
Extracurricular Activities	679,392	680,255	680,255	0
Debt Service:				
Principal Retirement	93,735	93,735	93,735	0
Interest and Fiscal Charges	5,181	5,181	5,181	0
<i>Total Expenditures</i>	<u>32,204,468</u>	<u>32,206,660</u>	<u>32,206,660</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,626,954</u>	<u>(222,890)</u>	<u>(227,311)</u>	<u>(4,421)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	33,181	33,181	33,181	0
Advances Out	(32,828)	(32,828)	(32,828)	0
Transfers Out	(32,942)	(32,942)	(32,942)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(32,589)</u>	<u>(32,589)</u>	<u>(32,589)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>1,594,365</u>	<u>(255,479)</u>	<u>(259,900)</u>	<u>(4,421)</u>
<i>Fund Balance Beginning of Year</i>	<u>4,286,368</u>	<u>4,286,368</u>	<u>4,286,368</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>645,127</u>	<u>645,127</u>	<u>645,127</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$6,525,860</u>	<u>\$4,676,016</u>	<u>\$4,671,595</u>	<u>(\$4,421)</u>

See accompanying notes to the basic financial statements



**Howland Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Custodial Fund*  
*For the Fiscal Year Ended June 30, 2022*

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**Additions**

Miscellaneous \$7,700

**Deductions**

Distributions to Ohio High School Athletic Association 7,700

*Change in Net Position* 0

*Net Position Beginning of Year* 0

*Net Position End of Year* \$0

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, 2022*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's five instructional/support facilities staffed by 11 administrators, 3 supervisors, 178 certified employees and 112 classified employees who provide services to 2,433 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 Portage Area School Consortium. These organizations are presented in Notes 12 and 13 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, 2022*

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

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

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

***Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. In reporting its financial activities, the School District uses three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

***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, 2022*

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***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District's only custodial fund accounts for monies received for athletic tournaments held on behalf of the Ohio High School Athletic Association.

***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.

***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 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.

***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.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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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 assets 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 17 and 18.

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 assets 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, 2022, but which were levied to finance fiscal year 2023 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, tuition and fees and miscellaneous revenues. 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 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 17 and 18)

***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.

***Pensions/Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB asset/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.

During fiscal year 2022, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2022, 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 \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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 2022 amounted to \$20,295 of which \$3,853 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, 2022, 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.

***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.

***Unearned Revenue***

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because the amounts have not yet been earned. The School District recognizes unearned revenue for intergovernmental revenue from grants received before the eligibility requirements are met.

***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.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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All capital assets (except for intangible right to use lease assets which are discussed below) 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Building and Improvements	5 - 50 years
Furniture and Equipment	5 - 20 years
Intangible Right to Use Lease Equipment	2 - 5 years
Vehicles	6 - 10 years
Textbooks	6 years

The School District is reporting intangible right to use assets related to leased equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

***Compensated Absences***

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

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

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

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.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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***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. Bonds, leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***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.

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

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

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

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



**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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***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.

***Internal Activity***

Transfers between governmental activities 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.

***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

***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 custodial 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.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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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. Prior to June 30, the Board of Education requested a certificate of estimated resources to closely match actual revenues.

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 – 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
<b><i>Nonspendable</i></b>			
Prepaid Items	\$92,240	\$0	\$92,240
Materials and Supplies Inventory	33,480	5,798	39,278
Unclaimed Monies	9,579	0	9,579
<b><i>Total Nonspendable</i></b>	<b>135,299</b>	<b>5,798</b>	<b>141,097</b>
<b><i>Restricted for</i></b>			
Food Service Operations	0	745,159	745,159
Auxiliary Services	0	20,711	20,711
Student Programs	0	177,054	177,054
Debt Service Payments	0	76,378	76,378
Capital Improvements	0	206,364	206,364
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,225,666</b>	<b>1,225,666</b>
<b><i>Committed to</i></b>			
Capital Improvements	0	1,522	1,522
<b><i>Assigned to</i></b>			
Instruction	88,700	0	88,700
Trust and Rotary Functions	2,246	0	2,246
Retirement	6,166	0	6,166
Purchases on Order:			
Instruction	57,785	0	57,785
Support Services	872,060	0	872,060
<b><i>Total Assigned</i></b>	<b>1,026,957</b>	<b>0</b>	<b>1,026,957</b>
<b><i>Unassigned (Deficit)</i></b>	<b>849,334</b>	<b>(195,169)</b>	<b>654,165</b>
<b><i>Total Fund Balances (Deficit)</i></b>	<b>\$2,011,590</b>	<b>\$1,037,817</b>	<b>\$3,049,407</b>

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 4 – Accountability**

Fund balances at June 30, 2022, included the following individual fund deficits:

***Special Revenue Funds:***

ESSER	\$77,500
Title IV-B	84,581
Title I	30,010
Title II-A	3,078

The special revenue funds' deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
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.
6. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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:

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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Net Change in Fund Balance

	General
GAAP Basis	\$407,528
Net Adjustment for Revenue Accruals	(364,921)
Advances In	33,181
Beginning Unrecorded Cash	(2,791)
Ending Unrecorded Cash	364
Perspective Difference:	
Public School Support	(24,318)
Retirement	54,985
Net Adjustment for Expenditure Accruals	657,397
Advances Out	(32,828)
Encumbrances	(988,497)
Budget Basis	(\$259,900)

**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.

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;

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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), and;
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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***

As of June 30, 2022, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$1,196,112 which is measured at net asset value per share. The average maturity is 35.3 days.

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

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Interest Rate Risk** The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchased, 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.

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

### **Note 7 – Property Taxes**

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

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 2022 represent the collection of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2021, 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 2022 represent the collection of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2020, were levied after April 1, 2021, 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, 2022, are available to finance fiscal year 2022 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, 2022 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, 2022, was \$106,280 in the general fund and \$2,433 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2021, was \$42,551 in the general fund and \$970 in the permanent improvement capital projects fund.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$579,610,850	97.71%	\$586,271,270	97.62%
Public Utility Personal	13,562,250	2.29	14,283,720	2.38
Total	\$593,173,100	100.00%	\$600,554,990	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$49.35		\$49.15	

**Note 8 - Receivables**

Receivables at June 30, 2022, consisted of taxes, accounts receivable, interfund 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
ESSER	\$485,859
Tuition	293,990
Trumbull County Educational Service Center	138,875
Title VI-B Grant	87,466
Title I Grant	54,697
Medicaid	5,815
Title II-A Grant	4,842
Total	\$1,071,544

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

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
<b>Nondepreciable Capital Assets</b>				
Land	\$806,570	\$0	\$0	\$806,570
Construction in Progress	0	254,920	0	254,920
<i>Total Nondepreciable Capital Assets</i>	<u>806,570</u>	<u>254,920</u>	<u>0</u>	<u>1,061,490</u>
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	15,746,380	925,008	0	16,671,388
Furniture and Equipment	1,424,366	42,263	(5,730)	1,460,899
Intangible Right to Use Lease Equipment **	3,913	297,408	0	301,321
Vehicles	2,785,179	0	0	2,785,179
Textbooks	753,676	0	0	753,676
<i>Total at Historical Cost</i>	<u>20,713,514</u>	<u>1,264,679</u>	<u>(5,730)</u>	<u>21,972,463</u>
<b>Less: Accumulated Depreciation/Amortization</b>				
Buildings and Improvements	(12,004,600)	(308,754)	0	(12,313,354)
Furniture and Equipment	(1,159,354)	(72,723)	5,730	(1,226,347)
Intangible Right to Use Lease Equipment **	0	(29,703)	0	(29,703)
Vehicles	(2,540,819)	(74,659)	0	(2,615,478)
Textbooks	(753,676)	0	0	(753,676)
<i>Total Accumulated Depreciation/Amortization</i>	<u>(16,458,449)</u>	<u>(485,839) *</u>	<u>5,730</u>	<u>(16,938,558)</u>
<i>Depreciable Capital Assets, Net</i>	<u>4,255,065</u>	<u>778,840</u>	<u>0</u>	<u>5,033,905</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$5,061,635</u>	<u>\$1,033,760</u>	<u>\$0</u>	<u>\$6,095,395</u>

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

Instruction	
Regular	\$335,989
Support Services	
Administration	36,363
Operation and Maintenance of Plant	38,747
Pupil Transportation	66,268
Operation of Food Service	8,472
Total Depreciation Expense	<u>\$485,839</u>

\*\* Of the current year depreciation total of \$485,839, \$29,703 is presented as administration expense on the Statement of Activities related to the City's intangible asset of copiers and a postage machine, which is included as an Intangible Right to Use Lease. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.



**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 10 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2022 were as follows:

	Principal Outstanding June 30, 2021	Additions	Deductions	Principal Outstanding June 30, 2022	Amount Due in One Year
<b>General Obligation Debt</b>					
Energy Conservation Bonds	\$335,580	\$0	(\$95,880)	\$239,700	\$95,880
<b>Other Long-term Obligations</b>					
Net Pension Liability:					
SERS	7,583,087	0	(3,300,635)	4,282,452	0
STRS	27,327,088	0	(12,937,318)	14,389,770	0
<i>Total Net Pension Liability</i>	34,910,175	0	(16,237,953)	18,672,222	0
Net OPEB Liability:					
SERS	2,591,672	0	(321,453)	2,270,219	0
Financed Purchases - From Direct Borrowings	3,379,081	0	(253,346)	3,125,735	261,536
Leases Payable	3,913	297,408	(29,703)	271,618	58,803
Compensated Absences	3,522,893	1,269,305	(1,149,597)	3,642,601	1,449,154
<i>Total Other Long-term Obligations</i>	44,407,734	1,566,713	(17,992,052)	27,982,395	1,769,493
<i>Total Long-Term Liabilities</i>	\$44,743,314	\$1,566,713	(\$18,087,932)	\$28,222,095	\$1,865,373

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. The bonds will be retired from the bond retirement debt service fund.

During fiscal year 2019, the School District entered into a financed purchase from direct borrowing in the amount of \$3,500,000 for the purpose of acquiring energy efficiency equipment and improvements, as well as field turf. This debt will be repaid over a fifteen year period with a final payment being made in fiscal year 2034. The financed purchase from direct borrowing will be paid from the permanent improvements capital projects fund.

During fiscal year 2020, the School District entered into a financed purchase from direct borrowing in the amount of \$320,223 for the purpose of upgrading the scoreboard at the School District's athletic facilities. This debt will be repaid over a five year period with a final payment being made in fiscal year 2024. The financed purchase from direct borrowing will be paid from the general fund.

Leases payable will be paid from the general fund. Compensated absences will be paid from the general fund and the food service and auxiliary services 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 and auxiliary services special revenue funds. For additional information related to the net pension liability see Notes 17 and 18.

**Howland Local School District**  
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The overall debt margin of the School District as of June 30, 2022, was \$53,886,627 with an unvoted debt margin of \$600,555.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2022, are as follows:

Fiscal Year Ending June 30	Energy Conservation Improvement Bonds		From Direct Borrowings Financed Purchases	
	Principal	Interest	Principal	Interest
2023	\$95,880	\$11,347	\$261,536	\$122,891
2024	95,880	6,304	270,072	114,355
2025	47,940	1,261	214,141	105,457
2026	0	0	223,119	96,479
2027	0	0	232,475	87,123
2028-2032	0	0	1,317,028	280,960
2033-2034	0	0	607,364	31,830
Total	<u>\$239,700</u>	<u>\$18,912</u>	<u>\$3,125,735</u>	<u>\$839,095</u>

The School District has outstanding agreement to lease copiers and a postage meter. Due to the implementation of GASB Statement 87, these leases plus existing prior year capital leases have met the criteria of leases thus requiring them to be recorded by the School District. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

Year	Principal	Interest
2023	\$58,803	\$7,349
2024	58,545	5,584
2025	60,325	3,803
2026	62,160	1,968
2027	31,785	279
	<u>\$271,618</u>	<u>\$18,983</u>

**Note 11 - Set Asides**

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

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

**Howland Local School District**  
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	Capital Improvements
Set Aside Balance as of June 30, 2021	\$0
Current Year Set-aside Requirement	455,179
Qualifying Disbursements	(390,206)
Current Year Offsets	(537,830)
Total	(\$472,857)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2022	\$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 12 - 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 \$123,860 to NEOMIN during fiscal year 2022.

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.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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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 2022. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 7320 N Palmyra Road, Canfield, Ohio 44406.

**Note 13 – Shared Risk Pool**

**Portage Area School Consortium** The School District participates in the Portage Area School Consortium (Consortium). This is a shared risk pool composed of 27 Portage County area school districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**Note 14 - 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 2022, the School District contracted with Casualty Insurance for the following insurance coverage:

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

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

**Employee Health Benefits**

For fiscal year 2022, the School District was a participant in the Portage Area School Consortium (the “Consortium”) to provide employee medical, dental, vision and life benefits. The Consortium is administered by Medical Mutual/Delta Dental.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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The School District pays a monthly premium based on enrollment. Employee premiums are based on a Four-Tier system as follows:

<u>Employee</u>	<u>Employee/ Spouse</u>	<u>Employee/ Children</u>	<u>Family</u>
\$757.53	\$1,590.81	\$1,439.30	\$2,272.59

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 PASC. 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 check. The premiums are \$30.00 for Single coverage and \$87.75 for Family coverage.

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

***Worker’s Compensation***

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

**Note 15 - 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.

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

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2022, 1 member of the Board of Education has elected Social Security. The School District's liability is 6.2 percent of wages paid.

**Note 16 - 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, 2022, if applicable, cannot be determined at this time.

***School Foundation***

In fiscal year 2022, School District foundation funding was 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, ODE adjustments for fiscal year 2022 have been finalized. This is reserved in intergovernmental receivables and payables.

***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.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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**Note 17 - Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

The net pension liability and the net OPEB liability (asset) 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 (asset) represents 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 (asset) 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/OPEB 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 (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. 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 *net OPEB asset* or long-term *net pension/OPEB 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 18 for the required OPEB disclosures.

**Howland Local School District**  
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***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, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$597,869 for fiscal year 2022. Of this amount \$72,673 is reported as an intergovernmental payable.



**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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***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](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 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 is deposited into the member’s DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$2,091,934 for fiscal year 2022. Of this amount \$305,033 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, 2021, 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:			
Current Measurement Date	0.11606470%	0.112544066%	
Prior Measurement Date	<u>0.11464840%</u>	<u>0.112938450%</u>	
Change in Proportionate Share	<u>0.00141630%</u>	<u>-0.000394384%</u>	
Proportionate Share of the Net			
Pension Liability	\$4,282,452	\$14,389,770	\$18,672,222
Pension Expense	(\$176,331)	(\$457,735)	(\$634,066)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$414	\$444,575	\$444,989
Changes of assumptions	90,176	3,991,980	4,082,156
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	54,199	0	54,199
School District contributions subsequent to the measurement date	<u>597,869</u>	<u>2,091,934</u>	<u>2,689,803</u>
Total Deferred Outflows of Resources	<u><u>\$742,658</u></u>	<u><u>\$6,528,489</u></u>	<u><u>\$7,271,147</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$111,061	\$90,195	\$201,256
Net difference between projected and actual earnings on pension plan investments	2,205,587	12,401,228	14,606,815
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>53,064</u>	<u>1,037,356</u>	<u>1,090,420</u>
Total Deferred Inflows of Resources	<u><u>\$2,369,712</u></u>	<u><u>\$13,528,779</u></u>	<u><u>\$15,898,491</u></u>

\$2,689,803 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 fiscal year ending June 30, 2023. 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>
2023	(\$562,039)	(\$2,449,765)	(\$3,011,804)
2024	(461,495)	(2,094,917)	(2,556,412)
2025	(524,409)	(2,048,579)	(2,572,988)
2026	<u>(676,980)</u>	<u>(2,498,963)</u>	<u>(3,175,943)</u>
Total	<u><u>(\$2,224,923)</u></u>	<u><u>(\$9,092,224)</u></u>	<u><u>(\$11,317,147)</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.

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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, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 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, 2020.

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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 rebalancing uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 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 earnings were calculated using the long-term assumed investment rate of return (7.00 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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$7,124,946	\$4,282,452	\$1,885,250

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented as follows:

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	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

Post-retirement 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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, 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.

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	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 is net of 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.

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**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

**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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$26,946,655	\$14,389,770	\$3,779,230

**Changes Between the Measurement Date and the Reporting date** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

**Note 18 - Defined Benefit OPEB Plans**

See Note 17 for a description of the net OPEB liability (asset).

**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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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

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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 Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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 2022, no allocation 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 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$78,667.

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 \$78,667 for fiscal year 2022. Of this amount \$78,667 is reported as an intergovernmental payable.

***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. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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. All benefit recipients 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, 2022, STRS did not allocate any employer contributions to post-employment health care.



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

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) 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:			
Current Measurement Date	0.11995350%	0.112544066%	
Prior Measurement Date	<u>0.11924910%</u>	<u>0.112938450%</u>	
Change in Proportionate Share	<u>0.00070440%</u>	<u>-0.000394384%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$2,270,219	\$0	\$2,270,219
Net OPEB (Asset)	\$0	(\$2,372,900)	(\$2,372,900)
OPEB Expense	(\$78,898)	(\$172,006)	(\$250,904)

At June 30, 2022, 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$24,199	\$84,491	\$108,690
Changes of assumptions	356,144	151,571	507,715
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	9,936	12,362	22,298
School District contributions subsequent to the measurement date	<u>78,667</u>	<u>0</u>	<u>78,667</u>
Total Deferred Outflows of Resources	<u>\$468,946</u>	<u>\$248,424</u>	<u>\$717,370</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$1,130,671	\$434,758	\$1,565,429
Changes of assumptions	310,888	1,415,608	1,726,496
Net difference between projected and actual earnings on OPEB plan investments	49,321	657,727	707,048
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>173,173</u>	<u>40,137</u>	<u>213,310</u>
Total Deferred Inflows of Resources	<u>\$1,664,053</u>	<u>\$2,548,230</u>	<u>\$4,212,283</u>

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\$78,667 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 or an increase to the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	(\$310,140)	(\$654,404)	(\$964,544)
2024	(310,486)	(637,944)	(948,430)
2025	(283,419)	(633,950)	(917,369)
2026	(225,372)	(281,358)	(506,730)
2027	(112,889)	(94,278)	(207,167)
Thereafter	(31,468)	2,128	(29,340)
Total	(\$1,273,774)	(\$2,299,806)	(\$3,573,580)

***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, 2021, compared with June 30, 2020, are presented as follows:

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	June 30, 2021	June 30, 2020
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, 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, 2020.

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 2015 through 2020, and was adopted by the Board in 2021. 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, 7.00 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 17.

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**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 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 contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

**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 (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$2,813,075	\$2,270,219	\$1,836,545
		Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,747,882	\$2,270,219	\$2,967,899

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented as follows:

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	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 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, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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 17.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

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***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$2,002,360)	(\$2,372,900)	(\$2,682,429)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,669,887)	(\$2,372,900)	(\$2,005,647)

***Changes Between the Measurement Date and the Reporting date*** In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

**Note 19 – Interfund Transactions**

***Interfund Balances***

Interfund balances at June 30, 2022, consisted of an interfund receivable in the general fund and interfund payables in other governmental funds of \$32,828. These interfund loans were made to support the program of special revenue funds pending the receipt of monies. The interfund balance should be repaid within one year.

***Interfund Transfers***

The general fund transferred \$31,501 to the district managed activities special revenue funds to help fund programs.

**Note 20 – Encumbrances**

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

General	\$988,497
Other Governmental Funds	1,687,158
Total	\$2,675,655

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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**Note 21 – 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 2022 Taxes Abated
<i>Enterprise Zone Agreement:</i> Howland Township	\$19,284

**Note 22 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

**Note 23 – Change in Accounting Principle**

For fiscal year 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, Leases.

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School District’s 2022 financial statements. The School District recognized \$3,913 in leases payable at July 1, 2021 which was offset by the intangible asset, right to use lease - equipment.

The School District is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 – *Omnibus 2020*, and GASB Statement No. 97 -- *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the School District’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

**Howland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2022*

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## 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*  
*School Employees Retirement System of Ohio*  
*Last Nine Fiscal Years (1)*

	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's Proportion of the Net Pension Liability	0.11606470%	0.11464840%	0.11867280%
School District's Proportionate Share of the Net Pension Liability	\$4,282,452	\$7,583,087	\$7,100,401
School District's Covered Payroll	\$4,016,571	\$4,057,771	\$3,991,504
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.62%	186.88%	177.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%

(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

2019	2018	2017	2016	2015	2014
0.11993880%	0.12790380%	0.12597270%	0.12760150%	0.12941300%	0.12941300%
\$6,869,118	\$7,641,970	\$9,220,038	\$7,281,065	\$6,549,518	\$7,695,776
\$4,151,022	\$4,026,621	\$3,912,243	\$3,841,472	\$3,978,656	\$3,822,008
165.48%	189.79%	235.67%	189.54%	164.62%	201.35%
71.36%	69.50%	62.98%	69.16%	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 Six Fiscal Years (1)*

	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.11995350%	0.11924910%	0.12184890%
School District's Proportionate Share of the Net OPEB Liability	\$2,270,219	\$2,591,672	\$3,064,244
School District's Covered Payroll	\$4,016,571	\$4,057,771	\$3,991,504
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	56.52%	63.87%	76.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%

(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

2019	2018	2017
0.12219630%	0.12997580%	0.12783230%
\$3,390,056	\$3,488,209	\$3,643,693
\$4,151,022	\$4,026,621	\$3,912,243
81.67%	86.63%	93.14%
13.57%	12.46%	11.49%

**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 Nine Fiscal Years (1)*

	<u>2022</u>	<u>2021</u>	<u>2020</u>
School District's Proportion of the Net Pension Liability	0.112544066%	0.11293845%	0.11648872%
School District's Proportionate Share of the Net Pension Liability	\$14,389,770	\$27,327,088	\$25,760,780
School District's Covered Payroll	\$13,656,386	\$13,896,229	\$13,713,307
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.37%	196.65%	187.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%

(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

2019	2018	2017	2016	2015	2014
0.12124380%	0.12222857%	0.12141954%	0.12232265%	0.12349060%	0.12349060%
\$26,658,790	\$29,035,658	\$40,642,780	\$33,806,403	\$30,037,188	\$35,780,101
\$14,253,036	\$13,498,843	\$12,775,671	\$12,762,321	\$12,617,331	\$13,467,615
187.04%	215.10%	318.13%	264.89%	238.06%	265.68%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

	2022	2021	2020
School District's Proportion of the Net OPEB (Asset) Liability	0.112544066%	0.11293845%	0.11648872%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$2,372,900)	(\$1,984,892)	(\$1,929,334)
School District's Covered Payroll	\$13,656,386	\$13,896,229	\$13,713,307
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered Payroll	-17.38%	-14.28%	-14.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%

(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



2019	2018	2017
0.12124380%	0.12222857%	0.12141954%
(\$1,948,363)	\$4,768,909	\$6,493,549
\$14,253,036	\$13,498,843	\$12,775,671
-13.67%	35.33%	50.83%
176.00%	47.10%	37.30%

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$597,869	\$562,320	\$568,088	\$538,853
Contributions in Relation to the Contractually Required Contribution	<u>(597,869)</u>	<u>(562,320)</u>	<u>(568,088)</u>	<u>(538,853)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,270,493	\$4,016,571	\$4,057,771	\$3,991,504
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$78,667	\$78,332	\$77,926	\$95,421
Contributions in Relation to the Contractually Required Contribution	<u>(78,667)</u>	<u>(78,332)</u>	<u>(77,926)</u>	<u>(95,421)</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>1.84%</u>	<u>1.95%</u>	<u>1.92%</u>	<u>2.39%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.84%</u>	<u>15.95%</u>	<u>15.92%</u>	<u>15.89%</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

2018	2017	2016	2015	2014	2013
\$560,388	\$563,727	\$547,714	\$506,306	\$551,442	\$528,966
(560,388)	(563,727)	(547,714)	(506,306)	(551,442)	(528,966)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,151,022	\$4,026,621	\$3,912,243	\$3,841,472	\$3,978,656	\$3,822,008
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
\$89,073	\$71,686	\$65,425	\$98,149	\$68,721	\$80,172
(89,073)	(71,686)	(65,425)	(98,149)	(68,721)	(80,172)
\$0	\$0	\$0	\$0	\$0	\$0
2.15%	1.78%	1.67%	2.55%	1.73%	2.10%
15.65%	15.78%	15.67%	15.73%	15.59%	15.94%

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$2,091,934	\$1,911,894	\$1,945,472	\$1,919,863
Contributions in Relation to the Contractually Required Contribution	<u>(2,091,934)</u>	<u>(1,911,894)</u>	<u>(1,945,472)</u>	<u>(1,919,863)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$14,942,386	\$13,656,386	\$13,896,229	\$13,713,307
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
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

2018	2017	2016	2015	2014	2013
\$1,995,425	\$1,889,838	\$1,788,594	\$1,786,725	\$1,640,253	\$1,750,790
(1,995,425)	(1,889,838)	(1,788,594)	(1,786,725)	(1,640,253)	(1,750,790)
\$0	\$0	\$0	\$0	\$0	\$0
\$14,253,036	\$13,498,843	\$12,775,671	\$12,762,321	\$12,617,331	\$13,467,615
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%
\$0	\$0	\$0	\$0	\$126,173	\$134,676
0	0	0	0	(126,173)	(134,676)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

**Howland Local School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 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.

**Howland Local School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

**Changes in Assumptions - STRS**

Beginning with fiscal year 2022, amounts reported 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 years 2018-2021 and fiscal year 2017 and prior are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	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	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

Beginning with 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-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.

**Howland Local School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

**Net OPEB Liability**

**Changes in Assumptions – SERS**

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

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

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
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 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
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.



**Howland Local School District**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

**Changes in Benefit Terms – STRS OPEB**

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 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
<b>Child Nutrition Cluster:</b>		
School Breakfast Program	10.553	\$ 373,248
National School Lunch Program	10.555	454,695
COVID-19 National School Lunch Program	10.555	69,511
Non-Cash Assistance (Food Distribution)	10.555	100,334
Total Child Nutrition Cluster		<u>997,788</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	614
Total U.S. Department of Agriculture		<u><b>998,402</b></u>
<b>FEDERAL COMMUNICATIONS COMMISSION</b>		
<i>Passed Through Federal Communications Commission</i>		
COVID-19 Emergency Connectivity Fund Program	32.009	173,658
Total Federal Communications Commission		<u><b>173,658</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	484,406
<b>Special Education Cluster:</b>		
Special Education Grants to States (IDEA, Part B)	84.027	569,734
Special Education Preschool Grants (IDEA, Preschool)	84.173	18,607
COVID-19 Special Education Grants to States (IDEA, Part B)	84.027	79,453
COVID-19 Special Education Preschool Grants (IDEA, Preschool)	84.173	4,241
Total Special Education Cluster		<u>672,034</u>
Supporting Effective Instruction	84.367	144,482
Student Support and Academic Enrichment Program	84.424	23,526
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	588,299
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	770,012
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	2,253
Total Elementary and Secondary School Emergency Relief Fund		<u>1,360,564</u>
Total U.S. Department of Education		<u><b>2,685,013</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$3,857,073</b></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, 2022**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Howland School District (the District's) under programs of the federal government for the year ended June 30, 2022. 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 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 program that benefitted from the use of those donated food commodities.

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2022 to 2023 programs:

Program Title	AL Number	Amount Transferred
Title I Grants to Local Educational Agencies	84.010	\$49,322
Special Education Grants to States (IDEA, Part B)	84.027	\$37,555
COVID-19 Special Education Grants to States (IDEA, Part B)	84.027	\$39,758
Supporting Effective Instruction	84.367	\$58,432
Student Support and Academic Enrichment Program	84.424	\$10,639
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	\$515,982
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U	\$2,018,414
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	\$7,426

# OHIO AUDITOR OF STATE KEITH FABER



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## 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 Street SE  
Warren, Ohio 44484

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001 through 2022-002 that we consider to be significant deficiencies.

***Report on Compliance and Other Matters***

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

***District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying corrective action plan. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

January 23, 2023

# OHIO AUDITOR OF STATE KEITH FABER



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## 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 Street SE  
Warren, Ohio 44484

To the Board of Education:

### Report on Compliance for each Major Federal Program

#### *Opinion on each Major Federal Program*

We have audited Howland Local School District's (the Board of Education) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Howland Local School District's major federal programs for the year ended June 30, 2022. Howland Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Howland Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### *Basis for Opinion on each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Board of Education's compliance with the compliance requirements referred to above.

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### ***Responsibilities of Management for Compliance***

The Board of Education's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Board of Education's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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



Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

January 23, 2023

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**HOWLAND LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2022**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> Title I Grants to Local Educational Agencies Elementary and Secondary School Emergency Relief Fund – COVID-19 COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth	AL 84.010 AL 84.425D  AL 84.425U  AL 84.425W
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

**1. Financial Reporting**

**FINDING NUMBER 2022-001**

**SIGNIFICANT DEFICIENCY**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The District did not present the General Fund Assigned Fund balance for purchases on order in the amount of \$929,845. In addition, the District did not present outstanding encumbrances as actual expenditures for the General Fund Budget and Actual statement in the amount of \$988,497 causing an understatement of actual expenditures and corresponding overstatement of year end fund balance. Lastly, the District did not disclose encumbrances in the notes to the financial statements in the amount of \$988,497 for the general fund and \$1,687,158 for other governmental funds. The District has adjusted its financial statements and notes to correct these errors.

The District lacked the internal control procedures to detect and correct the errors.

The District should review the accounting system reports, GAAP compilation workpapers, and basic financial statements as applicable to help ensure all amounts are properly classified and recorded.

**Officials' Response:** See the Corrective Action Plan.

**2. On-Behalf Grant Not Recorded**

**FINDING NUMBER 2022-002**

**SIGNIFICANT DEFICIENCY**

Auditor of State Bulletin 2000-008 provides guidance for local governments participating in on-behalf programs with other governments. In general, when a local government enters into an on-behalf program agreement with another local, State, or Federal government, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year in accordance with Ohio Revised Code Section 5705.36(A)(3). Similarly, Federal and State grants or loans are "deemed appropriated" for such purpose by the taxing authority as provided by law and shall be recorded as such by the fiscal officer of the subdivision and is deemed in process of collection per Ohio Revised Code Section 5705.42. Therefore, Federal and State grants and loans received under Ohio Revised Code Section 5705.42 do not require formal appropriation by the legislative body. In other words, Ohio Revised Code Section 5705.41 effectively eliminates an unnecessary appropriation action by the taxing authority. However, Ohio Revised Code Section 5705.42 directs the fiscal officer to record the appropriation amount in their accounting system. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

During 2022, the District was the beneficiary of the Emergency Connectivity Fund program through the Federal Communications Commission in the amount of \$173,658 and monies were paid directly to a vendor. The District did not record the related receipt and expenditure transactions, nor did they amend their estimated resources to properly budget for the expected grant receipts, or increase their appropriations in their accounting system. The District has adjusted its financial statements to correct these errors.

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

To enhance internal accounting control and help ensure compliance with applicable rules and regulations, the District, when approved for funding by a State or Federal agency, should follow the reporting requirements summarized by Auditor of State Bulletin 2000-008, as well as applicable budgetary requirements of the Ohio Revised Code. When the District receives notice that funds will be expended on its behalf, the District should certify the available resources to the County Budget Commission and record appropriations to account for the expected grant receipts and expenditures. The District should also record memorandum receipt and expenditure transactions on the District's books to account for any payments made on its behalf.

**Officials' Response:** See the Corrective Action Plan.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

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# Howland Local Schools

Honoring Our Proud Past...Building a Roaring Future...Serving Kids and Community

Administration Offices  
8200 South St. SE  
Warren, Ohio 44484  
(330) 856-8200  
(330) 856-8214 Fax  
[www.howlandschools.com](http://www.howlandschools.com)

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2022**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2021-001	Federal prevailing wages	Corrected	

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## CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2022

<b>Finding Number:</b>	2022-001
<b>Planned Corrective Action:</b>	Review fiscal reports and GAAP workpapers to ensure that all encumbrances are accounted for properly. Moving forward we will be mindful of carryover encumbrances and work to mitigate the number of carryovers.
<b>Anticipated Completion Date:</b>	1/18/2023
<b>Responsible Contact Person:</b>	Julie Sloan, Treasurer
<b>Finding Number:</b>	2022-002
<b>Planned Corrective Action:</b>	The district will work to maintain communication with employees regarding grants. If possible, we will request to receive the funds directly from the grant and pay the vendor, if that is not feasible the district will record memorandum receipts and disbursements and adjust the appropriations and certificate of estimated resources accordingly for the grant.
<b>Anticipated Completion Date:</b>	01/18/2023
<b>Responsible Contact Person:</b>	Julie Sloan, Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



**HOWLAND LOCAL SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/16/2023**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)