



OHIO AUDITOR OF STATE
KEITH FABER



**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2021**

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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund and thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 5, 2022

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Howland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

As management of the Howland Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2021. 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 slightly in fiscal year 2021 due mainly to an increase in cash and cash equivalents as well as increases in taxes receivable resulting from a full year's worth of collections on the emergency levy passed in 2018. These were offset by an increase in the net pension liability.
- The capital asset additions for fiscal year 2021 included work at the high school stadium, gas line upgrades, various pieces of equipment and new busses.
- Long-term liabilities increase during fiscal year 2021 due to an increase in the net pension liability, which was offset by the School District making continued payments on the lease-purchase financing agreement and the HB264 bond issue.
- 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
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Unaudited

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 2021 compared to 2020. 2020 has been restated as described per Note 24.

Howland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 1
 Net Position
 Governmental Activities

	2021	2020	Change
Assets			
Current and Other Assets	\$29,842,785	\$29,060,340	\$782,445
Net OPEB Asset	1,984,892	1,929,334	55,558
Capital Assets, Net	<u>5,057,722</u>	<u>5,267,517</u>	<u>(209,795)</u>
Total Assets	<u>36,885,399</u>	<u>36,257,191</u>	<u>628,208</u>
Deferred Outflows of Resources			
Pension	5,873,714	6,044,740	(171,026)
OPEB	<u>831,415</u>	<u>604,013</u>	<u>227,402</u>
<i>Total Deferred Outflows of Resources</i>	<u>6,705,129</u>	<u>6,648,753</u>	<u>56,376</u>
Liabilities			
Current Liabilities	3,970,672	3,983,161	12,489
Long-Term Liabilities			
Due Within One Year	1,498,823	1,262,926	(235,897)
Due in More Than One Year:			
Net Pension Liability	34,910,175	32,861,181	(2,048,994)
Net OPEB Liability	2,591,672	3,064,244	472,572
Other Amounts	<u>5,738,731</u>	<u>5,905,943</u>	<u>167,212</u>
<i>Total Liabilities</i>	<u>48,710,073</u>	<u>47,077,455</u>	<u>(1,632,618)</u>
Deferred Inflows of Resources			
Property Taxes	21,342,635	20,839,539	(503,096)
Pension	1,586,974	2,533,972	946,998
OPEB	<u>3,946,438</u>	<u>3,429,875</u>	<u>(516,563)</u>
<i>Total Deferred Inflows of Resources</i>	<u>26,876,047</u>	<u>26,803,386</u>	<u>(72,661)</u>
Net Position			
Net Investment in Capital Assets	1,678,641	1,899,606	(220,965)
Restricted for:			
Capital Projects	289,584	265,066	24,518
Debt Service	54,654	21,881	32,773
Other Purposes	647,272	405,067	242,205
Unclaimed Monies	9,507	9,211	296
Unrestricted (Deficit)	<u>(34,675,250)</u>	<u>(34,780,854)</u>	<u>105,604</u>
<i>Total Net Position</i>	<u>(\$31,995,592)</u>	<u>(\$32,180,023)</u>	<u>\$184,431</u>

Howland Local School District
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The net pension liability (NPL) is the largest liability reported by the School District at June 30, 2021. 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 (\$31,995,592) in fiscal year 2021 and (\$32,180,023) in fiscal year 2020.

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 decrease in capital assets was due to depreciation exceeding current year additions.

Liabilities increased which can be attributed to an increase in the net pension liability attributed to the School District, which was offset by the continued annual debt payments.

Table 2 shows the changes in net position for fiscal year 2021 compared to 2020. 2020 has been restated as described per Note 24.

Howland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 2
 Changes in Net Position
 Governmental Activities

	2021	2020	Change
Program Revenues			
Charges for Services and Sales	\$2,511,710	\$2,878,884	(\$367,174)
Operating Grants and Contributions	4,659,176	3,315,166	1,344,010
<i>Total Program Revenues</i>	<u>7,170,886</u>	<u>6,194,050</u>	<u>976,836</u>
General Revenues			
Property Taxes	21,438,548	21,062,343	376,205
Grants and Entitlements	9,120,663	8,689,824	430,839
Unrestricted Contributions	79,631	128,563	(48,932)
Investment Earnings	11,603	71,918	(60,315)
Gain on Sale of Capital Assets	873	0	873
Miscellaneous	569,904	663,678	(93,774)
<i>Total General Revenues</i>	<u>31,221,222</u>	<u>30,616,326</u>	<u>604,896</u>
<i>Total Revenues</i>	<u>38,392,108</u>	<u>36,810,376</u>	<u>1,581,732</u>
Program Expenses			
Instruction:			
Regular	19,013,906	17,930,818	(1,083,088)
Special	4,713,246	4,368,018	(345,228)
Vocational	259,427	241,866	(17,561)
Student Intervention Services	47,026	41,920	(5,106)
Support Services			
Pupils	1,947,272	1,789,167	(158,105)
Instructional Staff	751,641	841,159	89,518
Board of Education	55,988	27,492	(28,496)
Administration	2,477,833	2,661,992	184,159
Fiscal	808,620	874,246	65,626
Business	472,853	462,784	(10,069)
Operation and Maintenance of Plant	3,142,999	3,196,490	53,491
Pupil Transportation	1,865,393	1,960,972	95,579
Central	420,680	162,441	(258,239)
Operation of Non-Instructional Services	437,164	373,127	(64,037)
Operation of Food Services	836,931	852,517	15,586
Extracurricular Activities	818,396	684,611	(133,785)
Interest and Fiscal Charges	138,302	192,555	54,253
<i>Total Program Expenses</i>	<u>38,207,677</u>	<u>36,662,175</u>	<u>(1,545,502)</u>
<i>Change in Net Position</i>	184,431	148,201	36,230
Net Position Beginning of Year	<u>(32,180,023)</u>	<u>(32,328,224)</u>	148,201
Net Position End of Year	<u><u>(\$31,995,592)</u></u>	<u><u>(\$32,180,023)</u></u>	<u><u>\$184,431</u></u>

Howland Local School District
Management's Discussion and Analysis
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Unaudited

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 2021. Operating grants increased due to the School District seeking out restricted grant monies as additional sources of operating revenues. General revenues increased in fiscal year 2021 resulting from higher property tax collections as the School District realized a full year's worth of collections on the new emergency levy coupled with an increase in State funding.

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 1.5 percent increase in base salary.

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 2021 compared to 2020. 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, 2021
Unaudited

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2021		2020	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$19,013,906	\$16,706,076	\$17,930,818	\$15,825,084
Special	4,713,246	3,042,207	4,368,018	2,548,926
Vocational	259,427	181,628	241,866	164,681
Student Intervention Services	47,026	42,827	41,920	38,049
Support Services:				
Pupils	1,947,272	1,724,162	1,789,167	1,733,791
Instructional Staff	751,641	683,490	841,159	725,982
Board of Education	55,988	55,988	27,492	27,492
Administration	2,477,833	2,477,833	2,661,992	2,661,992
Fiscal	808,620	808,620	874,246	874,246
Business	472,853	472,853	462,784	462,784
Operation and Maintenance of Plant	3,142,999	2,661,787	3,196,490	3,026,118
Pupil Transportation	1,865,393	1,767,899	1,960,972	1,877,984
Central	420,680	126,726	162,441	151,641
Operation of Non-Instructional Services	437,164	83,241	373,127	112,781
Operation of Food Services	836,931	(137,903)	852,517	62,380
Extracurricular Activities	818,396	201,055	684,611	(18,361)
Interest and Fiscal Charges	138,302	138,302	192,555	192,555
Total	\$38,207,677	\$31,036,791	\$36,662,175	\$30,468,125

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 2021, 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.

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

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

Capital Assets and Debt

Capital Assets

During fiscal year 2021, the School District's capital asset additions included work at the high school stadium, gas line upgrades, various pieces of equipment and new busses. 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 lease-purchase financing 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 overall debt margin of the School District as of June 30, 2020, was \$53,117,143 with an unvoted debt margin of \$593,173. For more information about the School District's long-term obligations, see Note 10 to the basic financial statements.

Current Related Financial Activities

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

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

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.

Howland Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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 Samantha Pochedly, Treasurer, Howland Local School District, 8200 South St. SE, Warren, Ohio 44484.

Howland Local School District

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,984,742
Accounts Receivable	2,539
Intergovernmental Receivable	939,859
Prepaid Items	84,300
Inventory Held for Resale	6,493
Materials and Supplies Inventory	37,785
Taxes Receivable	22,787,067
Net OPEB Asset (See Note 18)	1,984,892
Nondepreciable Capital Assets	806,570
Depreciable Capital Assets, Net	<u>4,251,152</u>
<i>Total Assets</i>	<u>36,885,399</u>
Deferred Outflows of Resources	
Pension	5,873,714
OPEB	<u>831,415</u>
<i>Total Deferred Outflows of Resources</i>	<u>6,705,129</u>
Liabilities	
Accounts Payable	96,854
Contracts Payable	15,672
Accrued Wages Payable	3,143,336
Intergovernmental Payable	674,517
Accrued Interest Payable	12,490
Matured Compensated Absences Payable	27,803
Long-Term Liabilities:	
Due Within One Year	1,498,823
Due In More Than One Year:	
Net Pension Liability (See Note 17)	34,910,175
Net OPEB Liability (See Note 18)	2,591,672
Other Amounts	<u>5,738,731</u>
<i>Total Liabilities</i>	<u>48,710,073</u>
Deferred Inflows of Resources	
Property Taxes	21,342,635
Pension	1,586,974
OPEB	<u>3,946,438</u>
<i>Total Deferred Inflows of Resources</i>	<u>26,876,047</u>
Net Position	
Net Investment in Capital Assets	1,678,641
Restricted for:	
Capital Projects	289,584
Debt Service	54,654
Other Purposes	647,272
Unclaimed Monies	9,507
Unrestricted (Deficit)	<u>(34,675,250)</u>
<i>Total Net Position</i>	<u>(\$31,995,592)</u>

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$19,013,906	\$1,482,126	\$825,704	(\$16,706,076)
Special	4,713,246	364,433	1,306,606	(3,042,207)
Vocational	259,427	21,947	55,852	(181,628)
Student Intervention Services	47,026	4,199	0	(42,827)
Support Services:				
Pupils	1,947,272	0	223,110	(1,724,162)
Instructional Staff	751,641	0	68,151	(683,490)
Board of Education	55,988	0	0	(55,988)
Administration	2,477,833	0	0	(2,477,833)
Fiscal	808,620	0	0	(808,620)
Business	472,853	0	0	(472,853)
Operation and Maintenance of Plant	3,142,999	18,147	463,065	(2,661,787)
Pupil Transportation	1,865,393	0	97,494	(1,767,899)
Central	420,680	0	293,954	(126,726)
Operation of Non-Instructional Services	437,164	0	353,923	(83,241)
Operation of Food Services	836,931	22,053	952,781	137,903
Extracurricular Activities	818,396	598,805	18,536	(201,055)
Interest and Fiscal Charges	138,302	0	0	(138,302)
Totals	\$38,207,677	\$2,511,710	\$4,659,176	(31,036,791)

General Revenues

Property Taxes Levied for:	
General Purposes	20,845,901
Debt Service	114,792
Capital Outlay	477,855
Grants and Entitlements not Restricted to Specific Programs	9,120,663
Unrestricted Contributions	79,631
Investment Earnings	11,603
Gain on Sale of Capital Assets	873
Miscellaneous	569,904
Total General Revenues	31,221,222
Change in Net Position	184,431
<i>Net Position Beginning of Year - (Restated - See Note 24)</i>	<u>(32,180,023)</u>
<i>Net Position End of Year</i>	<u><u>(\$31,995,592)</u></u>

See accompanying notes to the basic financial statements

Howland Local School District

*Balance Sheet
Governmental Funds
June 30, 2021*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,061,411	\$913,824	\$5,975,235
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	9,507	0	9,507
Taxes Receivable	22,168,346	618,721	22,787,067
Accounts Receivable	2,539	0	2,539
Intergovernmental Receivable	519,594	420,265	939,859
Interfund Receivable	33,181	0	33,181
Prepaid Items	84,300	0	84,300
Inventory Held for Resale	0	6,493	6,493
Materials and Supplies Inventory	33,480	4,305	37,785
<i>Total Assets</i>	<u>\$27,912,358</u>	<u>\$1,963,608</u>	<u>\$29,875,966</u>
Liabilities			
Accounts Payable	\$74,861	\$21,993	\$96,854
Contracts Payable	9,332	6,340	15,672
Accrued Wages Payable	2,952,596	190,740	3,143,336
Interfund Payable	0	33,181	33,181
Intergovernmental Payable	613,988	60,529	674,517
Matured Compensated Absences Payable	27,803	0	27,803
<i>Total Liabilities</i>	<u>3,678,580</u>	<u>312,783</u>	<u>3,991,363</u>
Deferred Inflows of Resources			
Property Taxes	20,756,112	586,523	21,342,635
Unavailable Revenue	1,873,604	300,700	2,174,304
<i>Total Deferred Inflows of Resources</i>	<u>22,629,716</u>	<u>887,223</u>	<u>23,516,939</u>
Fund Balances			
Nonspendable	127,287	4,305	131,592
Restricted	0	884,027	884,027
Committed	0	325	325
Assigned	682,408	0	682,408
Unassigned (Deficit)	794,367	(125,055)	669,312
<i>Total Fund Balances (Deficit)</i>	<u>1,604,062</u>	<u>763,602</u>	<u>2,367,664</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$27,912,358</u>	<u>\$1,963,608</u>	<u>\$29,875,966</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, 2021*

Total Governmental Fund Balances	\$2,367,664
 <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.	5,057,722
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	1,400,911
Intergovernmental	271,722
Tuition and Fees	308,920
Miscellaneous	<u>192,751</u>
Total	2,174,304
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(12,490)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Energy Conservation Bonds	(335,580)
Lease-Purchase	(3,186,216)
Capital Lease	(192,865)
Compensated Absences	<u>(3,522,893)</u>
Total	(7,237,554)
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	1,984,892
Deferred Outflows - Pension	5,873,714
Deferred Outflows - OPEB	831,415
Net Pension Liability	(34,910,175)
Net OPEB Liability	(2,591,672)
Deferred Inflows - Pension	(1,586,974)
Deferred Inflows - OPEB	<u>(3,946,438)</u>
Total	<u>(34,345,238)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$31,995,592)</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, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$20,782,591	\$591,449	\$21,374,040
Intergovernmental	9,996,641	3,913,730	13,910,371
Interest	11,592	11	11,603
Tuition and Fees	1,892,062	0	1,892,062
Extracurricular Activities	33,247	85,118	118,365
Contributions and Donations	79,631	18,536	98,167
Charges for Services	480,090	22,053	502,143
Rentals	18,147	350	18,497
Miscellaneous	376,711	442	377,153
<i>Total Revenues</i>	<u>33,670,712</u>	<u>4,631,689</u>	<u>38,302,401</u>
Expenditures			
Current:			
Instruction:			
Regular	16,561,333	884,050	17,445,383
Special	4,072,796	498,423	4,571,219
Vocational	241,449	0	241,449
Student Intervention Services	47,026	0	47,026
Support Services:			
Pupils	1,688,163	210,656	1,898,819
Instructional Staff	696,620	38,954	735,574
Board of Education	55,988	0	55,988
Administration	2,388,316	0	2,388,316
Fiscal	800,478	0	800,478
Business	472,368	0	472,368
Operation and Maintenance of Plant	2,806,601	313,961	3,120,562
Pupil Transportation	1,755,246	102,729	1,857,975
Central	135,726	284,954	420,680
Operation of Non-Instructional Services	100,295	346,141	446,436
Operation of Food Services	0	848,878	848,878
Extracurricular Activities	642,025	167,181	809,206
Capital Outlay	320,223	192,129	512,352
Debt Service:			
Principal Retirement	127,358	277,575	404,933
Interest and Fiscal Charges	2,300	159,637	161,937
<i>Total Expenditures</i>	<u>32,914,311</u>	<u>4,325,268</u>	<u>37,239,579</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>756,401</u>	<u>306,421</u>	<u>1,062,822</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	0	1,450	1,450
Inception of Capital Lease	320,223	0	320,223
Transfers In	0	54,203	54,203
Transfers Out	(54,203)	0	(54,203)
<i>Total Other Financing Sources (Uses)</i>	<u>266,020</u>	<u>55,653</u>	<u>321,673</u>
<i>Net Change in Fund Balances</i>	1,022,421	362,074	1,384,495
<i>Fund Balances Beginning of Year</i>	<u>581,641</u>	<u>401,528</u>	<u>983,169</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,604,062</u></u>	<u><u>\$763,602</u></u>	<u><u>\$2,367,664</u></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, 2021*

Net Change in Fund Balances - Total Governmental Funds	\$1,384,495
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Asset Additions	228,104
Current Year Depreciation	<u>(434,579)</u>
Total	(206,475)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(3,320)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	64,508
Intergovernmental	(149,068)
Tuition and Fees	(19,357)
Miscellaneous	<u>192,751</u>
Total	88,834
Other financing sources in the governmental funds, such as the inception of a capital lease, increase long-term liabilities in the statement of net position.	
	(320,223)
Repayment of long-term obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	
	404,933
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	23,635
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.	
	(153,395)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	2,474,214
OPEB	<u>78,332</u>
Total	2,552,546
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	(3,747,236)
OPEB	<u>160,637</u>
Total	<u>(3,586,599)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$184,431</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$20,723,801	\$20,772,883	\$20,772,883	\$0
Intergovernmental	9,735,510	9,994,016	9,994,016	0
Interest	76,869	12,083	11,083	(1,000)
Tuition and Fees	1,734,619	1,899,711	1,899,711	0
Extracurricular Activities	12,036	3,035	3,035	0
Contributions and Donations	104,234	73,968	73,968	0
Charges for Services	364,554	480,090	480,090	0
Rentals	40,843	18,147	18,147	0
Miscellaneous	286,078	371,103	371,102	(1)
<i>Total Revenues</i>	<u>33,078,544</u>	<u>33,625,036</u>	<u>33,624,035</u>	<u>(1,001)</u>
Expenditures				
Current:				
Instruction:				
Regular	15,749,452	16,571,040	16,547,689	23,351
Special	3,888,675	4,089,880	4,089,880	0
Vocational	228,460	240,281	240,281	0
Student Intervention Services	44,713	47,026	47,026	0
Support Services:				
Pupils	1,638,601	1,723,384	1,723,384	0
Instructional Staff	671,215	705,944	703,902	2,042
Board of Education	53,234	55,988	55,988	0
Administration	2,303,488	2,422,673	2,422,673	0
Fiscal	761,713	801,125	801,125	0
Business	499,792	525,652	486,043	39,609
Operation and Maintenance of Plant	3,094,381	3,254,488	3,214,949	39,539
Pupil Transportation	1,886,564	1,984,177	1,840,056	144,121
Central	133,090	139,976	139,951	25
Operation of Non-Instructional Services	93,880	98,737	98,737	0
Extracurricular Activities	600,601	631,677	631,677	0
Debt Service:				
Principal Retirement	127,358	127,358	127,358	0
Interest and Fiscal Charges	2,300	2,300	2,300	0
<i>Total Expenditures</i>	<u>31,777,517</u>	<u>33,421,706</u>	<u>33,173,019</u>	<u>248,687</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,301,027</u>	<u>203,330</u>	<u>451,016</u>	<u>247,686</u>
Other Financing Sources (Uses)				
Advances In	41	41	41	0
Advances Out	(57,099)	(57,099)	(57,099)	0
Transfers Out	(33,181)	(33,181)	(33,181)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(90,239)</u>	<u>(90,239)</u>	<u>(90,239)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,210,788	113,091	360,777	247,686
<i>Fund Balance Beginning of Year</i>	3,390,990	3,390,990	3,390,990	0
Prior Year Encumbrances Appropriated	534,603	534,603	534,603	0
<i>Fund Balance End of Year</i>	<u>\$5,136,381</u>	<u>\$4,038,684</u>	<u>\$4,286,370</u>	<u>\$247,686</u>

See accompanying notes to the basic financial statements

Howland Local School District
Statement of Fiduciary Assets and Liabilities
Custodial Fund
June 30, 2021

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$1,972</u>
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Liabilities

Accounts Payable	<u>\$1,972</u>
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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, 2021

Additions	
Miscellaneous	\$1,396
Deductions	
Distributions to Ohio High School Athletic Association	<u>1,396</u>
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$0</u></u>

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, 2021

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, 175 certified employees and 113 classified employees who provide services to 2,479 students and other community members.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and a public entity pool. These organizations are the Trumbull Career and Technical Center, the Northeast Ohio Management Information Network, the State Support Team Region 5 and the Ohio School Benefits Cooperative. These organizations are presented in Notes 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, 2021

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, 2021

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.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 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 position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 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.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2021, 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 2021 amounted to \$11,592 of which \$1,764 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, 2021, 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.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Capital Assets

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

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

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

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

Compensated Absences

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

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.

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. Bonds, lease purchase financings and special termination benefits are recognized as a liability on the fund financial statements when 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.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

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.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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.

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.

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. Prior to June 30, the School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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
<i>Nonspendable</i>			
Prepaid Items	\$84,300	\$0	\$84,300
Materials and Supplies Inventory	33,480	4,305	37,785
Unclaimed Monies	9,507	0	9,507
<i>Total Nonspendable</i>	<u>127,287</u>	<u>4,305</u>	<u>131,592</u>
<i>Restricted for</i>			
Food Service Operations	0	96,013	96,013
Auxiliary Services	0	84,952	84,952
Student Programs	0	377,562	377,562
Debt Service Payments	0	67,144	67,144
Capital Improvements	0	258,356	258,356
<i>Total Restricted</i>	<u>0</u>	<u>884,027</u>	<u>884,027</u>
<i>Committed to</i>			
Capital Improvements	0	325	325
<i>Assigned to</i>			
Instruction	64,382	0	64,382
Trust and Rotary Functions	2,246	0	2,246
Retirement	61,124	0	61,124
Purchases on Order:			
Instruction	13,339	0	13,339
Support Services	541,317	0	541,317
<i>Total Assigned</i>	<u>682,408</u>	<u>0</u>	<u>682,408</u>
<i>Unassigned (Deficit)</i>	<u>794,367</u>	<u>(125,055)</u>	<u>669,312</u>
<i>Total Fund Balances (Deficit)</i>	<u>\$1,604,062</u>	<u>\$763,602</u>	<u>\$2,367,664</u>

Note 4 – Accountability

Fund balances at June 30, 2021, included the following individual fund deficits:

Special Revenue Funds:

District Managed Student Activity	\$929
ESSER	45,402
Title IV-B	77,976
Title I	745
Preschool	3

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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
For the Fiscal Year Ended June 30, 2021

Net Change in Fund Balance

	General
GAAP Basis	\$1,022,421
Net Adjustment for Revenue Accruals	(292,892)
Advances In	41
Beginning Unrecorded Cash	51,193
Ending Unrecorded Cash	2,791
Perspective Difference:	
Uniform School Supply	22,881
Public School Support	18,454
Retirement	(8,238)
Net Adjustment for Expenditure Accruals	246,350
Advances Out	(57,099)
Encumbrances	(645,125)
Budget Basis	\$360,777

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
For the Fiscal Year Ended June 30, 2021

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, 2021, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$468,498 which is measured at net asset value per share. The average maturity is 54.4 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, 2021

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.

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 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, 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 2021 represent the collection of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2019, were levied after April 1, 2020, 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, 2021, are available to finance fiscal year 2021 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, 2021 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, 2021, was \$42,551 in the general fund and \$970 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2020, was \$32,843 in the general fund and \$755 in the permanent improvement capital projects fund.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The assessed values upon which the fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$541,676,120	97.71%	\$579,610,850	97.71%
Public Utility Personal	12,674,740	2.29	13,562,250	2.29
Total	\$554,350,860	100.00%	\$593,173,100	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$49.70		\$49.35	

Note 8 - Receivables

Receivables at June 30, 2021, 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
Tuition	\$308,920
Trumbull County Educational Service Center	192,751
Title II-A Grant	118,877
Title I Grant	108,439
Food Service Federal Reimbursements	89,965
Title VI-B Grant	48,236
ESSER	45,402
Preschool Disabilities Grant	9,346
Medicaid	8,023
Fuel Tax Rebate	6,276
Foundation Adjustments	3,624
Total	\$939,859

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Restated Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Nondepreciable Capital Assets				
Land	\$806,570	\$0	\$0	\$806,570
Depreciable Capital Assets				
Buildings and Improvements	15,592,775	153,605	0	15,746,380
Furniture and Equipment	1,685,639	19,699	(280,972)	1,424,366
Vehicles	2,730,379	54,800	0	2,785,179
Textbooks	753,676	0	0	753,676
<i>Total at Historical Cost</i>	<u>20,762,469</u>	<u>228,104</u>	<u>(280,972)</u>	<u>20,709,601</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(11,717,625)	(286,975)	0	(12,004,600)
Furniture and Equipment	(1,362,749)	(74,257)	277,652	(1,159,354)
Vehicles	(2,467,472)	(73,347)	0	(2,540,819)
Textbooks	(753,676)	0	0	(753,676)
<i>Total Accumulated Depreciation</i>	<u>(16,301,522)</u>	<u>(434,579) *</u>	<u>277,652</u>	<u>(16,458,449)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>4,460,947</u>	<u>(206,475)</u>	<u>(3,320)</u>	<u>4,251,152</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$5,267,517</u>	<u>(\$206,475)</u>	<u>(\$3,320)</u>	<u>\$5,057,722</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$336,287
Support Services	
Administration	2,678
Operation and Maintenance of Plant	23,826
Pupil Transportation	61,702
Operation of Food Service	10,086
Total Depreciation Expense	<u>\$434,579</u>

Note 10 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Series 2010 Energy Conservation Bonds	5.10%	\$1,390,277	2025
2019 Lease-Purchase	4.15	3,500,000	2034

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

	Principal Outstanding June 30, 2019	Additions	Deductions	Principal Outstanding June 30, 2020	Amount Due in One Year
General Obligation Debt					
Energy Conservation Bonds	\$431,460	\$0	(\$95,880)	\$335,580	\$95,880
Other Long-term Obligations					
Net Pension Liability:					
SERS	7,100,401	482,686	0	7,583,087	0
STRS	25,760,780	1,566,308	0	27,327,088	0
<i>Total Net Pension Liability</i>	<u>32,861,181</u>	<u>2,048,994</u>	<u>0</u>	<u>34,910,175</u>	<u>0</u>
Net OPEB Liability:					
SERS	3,064,244	0	(472,572)	2,591,672	0
2019 Lease-Purchase	3,367,911	0	(181,695)	3,186,216	189,314
Capital Lease	0	320,223	(127,358)	192,865	64,032
Compensated Absences	3,369,498	1,138,746	(985,351)	3,522,893	1,149,597
<i>Total Other Long-term Obligations</i>	<u>42,662,834</u>	<u>3,507,963</u>	<u>(1,766,976)</u>	<u>44,403,821</u>	<u>1,402,943</u>
<i>Total Long-Term Liabilities</i>	<u>\$43,094,294</u>	<u>\$3,507,963</u>	<u>(\$1,862,856)</u>	<u>\$44,739,401</u>	<u>\$1,498,823</u>

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

During fiscal year 2019, the School District entered into a lease-purchase financing 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 lease purchase will be paid from the permanent improvements capital projects fund.

Compensated absences will be paid from the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. The capital lease will be paid from the general fund. For additional information related to the capital lease see Note 11. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension contributions are made from the following funds: the general fund and the food service, auxiliary services, title VI-B and title I special revenue funds. For additional information related to the net pension liability see Notes 17 and 18.

The overall debt margin of the School District as of June 30, 2021, was \$53,117,143 with an unvoted debt margin of \$593,173.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30	Energy Conservation Improvement Bonds		2019 Lease-Purchase	
	Principal	Interest	Principal	Interest
2022	\$95,880	\$16,391	\$189,314	\$130,284
2023	95,880	11,347	197,252	122,346
2024	95,880	6,304	205,523	114,075
2025	47,940	1,261	214,141	105,457
2026	0	0	223,119	96,479
2027-2031	0	0	1,264,027	333,962
2032-2034	0	0	892,840	65,951
Total	<u>\$335,580</u>	<u>\$35,303</u>	<u>\$3,186,216</u>	<u>\$968,554</u>

Note 11 – Capital Lease

In fiscal year 2021, the School District entered into a capital lease for the construction of a stadium scoreboard. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2021, are as follows:

	<u>Amount</u>
Buildings and Improvements	\$320,223
Less: Accumulated Depreciation	<u>(32,025)</u>
Current Book Value	<u>\$288,198</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2021.

<u>Fiscal Year Ending June 30,</u>	<u>Capital Lease</u>
2022	\$64,829
2023	64,829
2024	<u>64,829</u>
Total Minimum Lease Payments	194,487
Less: Amount Representing Interest	<u>(1,622)</u>
Present Value of Minimum Lease Payments	<u>\$192,865</u>

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

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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 \$134,078 to NEOMIN during fiscal year 2021.

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

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

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 2021. 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 – Public Entity Pool

Insurance Purchasing Pool

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of over 44 members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators and are elected by the members of the OSBC. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

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Participants paid an initial \$500 membership fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop-loss insurance coverage through OSBC's third party administrator. The School District participates in the first option. Medical Mutual/Delta Dental is the Administrator of the OSBC. During fiscal year 2021, the School District elected to participate in the joint insurance program for medical coverage.

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 2021, the School District contracted with Casualty Insurance for the following insurance coverage:

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

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 2021, the School District was a participant in the Ohio Schools Benefit Cooperative (OSBC) to provide employee medical, dental and vision benefits. OSBC is administered by Medical Mutual/Delta Dental.

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

Employee	Employee/ Spouse	Employee/ Children	Family
\$859.65	\$1,230.51	\$1,575.58	\$2,157.74

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

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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.

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.

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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, 2021, 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, 2021, if applicable, cannot be determined at this time.

School Foundation

In fiscal year 2021, 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, additional ODE adjustments for fiscal year 2021 are finalized.

Litigation

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

Note 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.

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The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (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.

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 under Employers/Audit Resources.

Howland Local School District
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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. Beginning April 1, 2018, 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. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$562,320 for fiscal year 2021. Of this amount \$48,957 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

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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 year 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, 2023, 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 fifty 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.

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 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 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,911,894 for fiscal year 2021. Of this amount \$271,909 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2020, 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	0.11464840%	0.11293845%	
Prior Measurement Date	<u>0.11867280%</u>	<u>0.11648872%</u>	
Change in Proportionate Share	<u>-0.00402440%</u>	<u>-0.00355027%</u>	
Proportionate Share of the Net			
Pension Liability	\$7,583,087	\$27,327,088	\$34,910,175
Pension Expense	\$688,111	\$3,059,125	\$3,747,236

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$14,730	\$61,315	\$76,045
Changes of assumptions	0	1,466,936	1,466,936
Net difference between projected and actual earnings on pension plan investments	481,372	1,328,919	1,810,291
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	46,228	46,228
School District contributions subsequent to the measurement date	<u>562,320</u>	<u>1,911,894</u>	<u>2,474,214</u>
Total Deferred Outflows of Resources	<u>\$1,058,422</u>	<u>\$4,815,292</u>	<u>\$5,873,714</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$174,738	\$174,738
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>159,041</u>	<u>1,253,195</u>	<u>1,412,236</u>
Total Deferred Inflows of Resources	<u>\$159,041</u>	<u>\$1,427,933</u>	<u>\$1,586,974</u>

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\$2,474,214 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	(\$106,492)	\$565,611	\$459,119
2023	92,196	50,696	142,892
2024	200,646	406,669	607,315
2025	150,711	452,489	603,200
Total	\$337,061	\$1,475,465	\$1,812,526

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00 %</u>	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$10,387,903	\$7,583,087	\$5,229,793

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Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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. 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 July 1 2020, 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, but does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$38,909,013	\$27,327,088	\$17,512,368

Note 18 - Defined Benefit OPEB Plans

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

School Employees Retirement System (SERS)

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

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 2021, 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 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$78,332.

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 \$78,332 for fiscal year 2021. Of this amount \$78,332 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 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, 2021, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2020, 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:

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.11924910%	0.11293845%	
Prior Measurement Date	<u>0.12184890%</u>	<u>0.11648872%</u>	
Change in Proportionate Share	<u>-0.00259980%</u>	<u>-0.00355027%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$2,591,672	\$0	\$2,591,672
Net OPEB (Asset)	\$0	(\$1,984,892)	(\$1,984,892)
OPEB Expense	(\$37,809)	(\$122,828)	(\$160,637)

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$34,039	\$127,182	\$161,221
Changes of assumptions	441,790	32,765	474,555
Net difference between projected and actual earnings on OPEB plan investments	29,202	69,562	98,764
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	18,543	18,543
School District contributions subsequent to the measurement date	<u>78,332</u>	<u>0</u>	<u>78,332</u>
Total Deferred Outflows of Resources	<u>\$583,363</u>	<u>\$248,052</u>	<u>\$831,415</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$1,318,047	\$395,361	\$1,713,408
Changes of assumptions	65,278	1,885,313	1,950,591
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>231,257</u>	<u>51,182</u>	<u>282,439</u>
Total Deferred Inflows of Resources	<u>\$1,614,582</u>	<u>\$2,331,856</u>	<u>\$3,946,438</u>

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

\$78,332 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 of the net OPEB asset in the fiscal year ending June 30, 2022. 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:			
2022	(\$234,911)	(\$517,366)	(\$752,277)
2023	(232,798)	(470,281)	(703,079)
2024	(233,142)	(453,762)	(686,904)
2025	(206,091)	(449,733)	(655,824)
2026	(148,278)	(95,924)	(244,202)
Thereafter	(54,331)	(96,738)	(151,069)
Total	(\$1,109,551)	(\$2,083,804)	(\$3,193,355)

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, 2020, are presented below:

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 17.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$3,172,144	\$2,591,672	\$2,130,200
	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$2,040,745	\$2,591,672	\$3,328,405

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	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.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, 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.

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 7.45 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, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

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, 2020, calculated using the current period discount rate assumption of 7.45 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 (6.45 percent) or one percentage point higher (8.45 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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,726,985)	(\$1,984,892)	(\$2,203,716)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,190,133)	(\$1,984,892)	(\$1,734,877)

Note 19 - 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.

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

	Capital Improvements
Set Aside Balance as of June 30, 2020	\$0
Current Year Set-aside Requirement	471,742
Qualifying Disbursements	(261,743)
Current Year Offsets	(534,755)
Total	(\$324,756)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0
Set Aside Balance as of June 30, 2021	\$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 20 – Interfund Transactions

Interfund Balances

Interfund balances at June 30, 2021, consisted of an interfund receivable in the general fund and interfund payables in other governmental funds of \$33,181. 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 \$54,203 to the district managed activities special revenue funds to help fund programs.

Note 21 - Encumbrances

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

Governmental Funds	
General	\$645,125
Other Governmental Funds	239,309
<i>Total Governmental Funds</i>	\$884,434

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 22 – Tax Abatements

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

Overlapping Government	Amount of Fiscal Year 2021 Taxes Abated
<i>Enterprise Zone Agreement:</i> Howland Township	\$7,122

Note 23 – 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 of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief and Economic Security (CARES) Act funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District’s investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Note 24 – Change in Accounting Principle and Restatement of Net Position

Change in Accounting Principles

For fiscal year 2021, the School District implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2019-1*. These changes were incorporated in the School District’s 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Net Position

During fiscal year 2021, the School District had an asset appraisal performed to determine accuracy and completeness of the School District’s assets resulting in an adjustment to the net capital assets as reported from June 30, 2020. The restatement for net capital assets had the following effect on net position as of June 30, 2020:

Net Position June 30, 2020	Governmental Activities (\$30,974,897)
Adjustments:	
Capital Assets, Net	(1,205,126)
Restated Net Position June 30, 2020	(\$32,180,023)

Howland Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 25 – Subsequent Event

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$2,402,559 in revenue and expenditures/expense related to these programs. Also during fiscal year 2021, the School District reported \$1,093,908 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

Required Supplementary Information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's Proportion of the Net Pension Liability	0.11464840%	0.11867280%	0.11993880%
School District's Proportionate Share of the Net Pension Liability	\$7,583,087	\$7,100,401	\$6,869,118
School District's Covered Payroll	\$4,057,771	\$3,991,504	\$4,151,022
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	186.88%	177.89%	165.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%

(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

2018	2017	2016	2015	2014
0.12790380%	0.12597270%	0.12760150%	0.12941300%	0.12941300%
\$7,641,970	\$9,220,038	\$7,281,065	\$6,549,518	\$7,695,776
\$4,026,621	\$3,912,243	\$3,841,472	\$3,978,656	\$3,822,008
189.79%	235.67%	189.54%	164.62%	201.35%
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 Five Fiscal Years (1)

	2021	2020	2019
School District's Proportion of the Net OPEB Liability	0.11924910%	0.12184890%	0.12219630%
School District's Proportionate Share of the Net OPEB Liability	\$2,591,672	\$3,064,244	\$3,390,056
School District's Covered Payroll	\$4,057,771	\$3,991,504	\$4,151,022
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	63.87%	76.77%	81.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%

(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

2018	2017
0.12997580%	0.12783230%
\$3,488,209	\$3,643,693
\$4,026,621	\$3,912,243
86.63%	93.14%
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 Eight Fiscal Years (1)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's Proportion of the Net Pension Liability	0.11293845%	0.11648872%	0.12124380%
School District's Proportionate Share of the Net Pension Liability	\$27,327,088	\$25,760,780	\$26,658,790
School District's Covered Payroll	\$13,896,229	\$13,713,307	\$14,253,036
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	196.65%	187.85%	187.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.12222857%	0.12141954%	0.12232265%	0.12349060%	0.12349060%
\$29,035,658	\$40,642,780	\$33,806,403	\$30,037,188	\$35,780,101
\$13,498,843	\$12,775,671	\$12,762,321	\$12,617,331	\$13,467,615
215.10%	318.13%	264.89%	238.06%	265.68%
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 Five Fiscal Years (1)

	2021	2020	2019
School District's Proportion of the Net OPEB (Asset) Liability	0.11293845%	0.11648872%	0.12124380%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$1,984,892)	(\$1,929,334)	(\$1,948,363)
School District's Covered Payroll	\$13,896,229	\$13,713,307	\$14,253,036
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered - Payroll	-14.28%	-14.07%	-13.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	182.10%	174.70%	176.00%

(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

<u>2018</u>	<u>2017</u>
0.12222857%	0.12141954%
\$4,768,909	\$6,493,549
\$13,498,843	\$12,775,671
35.33%	50.83%
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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$562,320	\$568,088	\$538,853	\$560,388
Contributions in Relation to the Contractually Required Contribution	<u>(562,320)</u>	<u>(568,088)</u>	<u>(538,853)</u>	<u>(560,388)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,016,571	\$4,057,771	\$3,991,504	\$4,151,022
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	78,332	77,926	95,421	89,073
Contributions in Relation to the Contractually Required Contribution	<u>(78,332)</u>	<u>(77,926)</u>	<u>(95,421)</u>	<u>(89,073)</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>1.95%</u>	<u>1.92%</u>	<u>2.39%</u>	<u>2.15%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.95%</u>	<u>15.92%</u>	<u>15.89%</u>	<u>15.65%</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

2017	2016	2015	2014	2013	2012
\$563,727	\$547,714	\$506,306	\$551,442	\$528,966	\$531,784
(563,727)	(547,714)	(506,306)	(551,442)	(528,966)	(531,784)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,026,621	\$3,912,243	\$3,841,472	\$3,978,656	\$3,822,008	\$3,953,787
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
71,686	65,425	98,149	68,721	80,172	103,172
(71,686)	(65,425)	(98,149)	(68,721)	(80,172)	(103,172)
\$0	\$0	\$0	\$0	\$0	\$0
1.78%	1.67%	2.55%	1.73%	2.10%	2.61%
15.78%	15.67%	15.73%	15.59%	15.94%	16.06%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$1,911,894	\$1,945,472	\$1,919,863	\$1,995,425
Contributions in Relation to the Contractually Required Contribution	<u>(1,911,894)</u>	<u>(1,945,472)</u>	<u>(1,919,863)</u>	<u>(1,995,425)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$13,656,386	\$13,896,229	\$13,713,307	\$14,253,036
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$1,889,838	\$1,788,594	\$1,786,725	\$1,640,253	\$1,750,790	\$1,747,858
<u>(1,889,838)</u>	<u>(1,788,594)</u>	<u>(1,786,725)</u>	<u>(1,640,253)</u>	<u>(1,750,790)</u>	<u>(1,747,858)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$13,498,843	\$12,775,671	\$12,762,321	\$12,617,331	\$13,467,615	\$13,445,062
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$126,173	\$134,676	\$134,451
<u>0</u>	<u>0</u>	<u>0</u>	<u>(126,173)</u>	<u>(134,676)</u>	<u>(134,451)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Howland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions – STRS

Beginning with fiscal year 2018, 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 year 2017 and prior are presented as follows:

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

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity 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

Howland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

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.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
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 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.

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 percent.

Howland Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Changes in Benefit Terms – STRS

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.

**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal ALN Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster			
Covid-19 - School Breakfast Program	10.553	102298-3L70-2021	\$ 19,090
School Breakfast Program	10.553	102298-3L70-2021	251,589
Covid-19 - National School Lunch Program	10.555	102298-3L60-2021	31,671
National School Lunch Program	10.555	102298-3L60-2021	460,754
Non-Cash Assistance:			
National School Lunch Program	10.555	N/A	78,822
Total U.S. Department of Agriculture and Nutrition Cluster			841,926
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Ohio Department of Education</i>			
COVID-19 Coronavirus Relief Fund:			
COVID-19 Broadband Connectivity	21.019	102298-5CV1-2021	20,000
COVID-19 Rural and Small Town School District	21.019	102298-5CV1-2021	131,794
Total Coronavirus Relief Fund			151,794
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Education Agencies	84.010	102298-3M00-2020	64,727
Title I Grants to Local Education Agencies	84.010	102298-3M00-2021	454,900
Title I Grants to Local Education Agencies Expanding opportunities for each child Non-competitive Grant	84.010A	102298-3M00-2021	7,737
Total Title I Grants to Local Educational Agencies			527,364
Special Education Cluster:			
Special Education Grants to States, IDEA, Part B	84.027	102298-3M20-2020	93,411
Special Education Grants to States, IDEA, Part B	84.027	102298-3M20-2021	583,151
IDEA-B Restoration	84.173A	102298-3C50-2021	578
Total Special Education Cluster			677,140
Supporting Effective Instruction State Grant	84.367	102298-3Y60-2020	3,832
Supporting Effective Instruction State Grant	84.367	102298-3Y60-2021	44,717
Total Supporting Effective Instruction State Grant			48,549
Student Support and Academic Enrichment Program	84.424	102298-3H10-2021	47,450
Total Student Support and Academic Enrichment Program			47,450
COVID-19 Education Stabilization Fund - Elementary & Secondary School Emergency Relief (ESSER I & II) Fund	84.425D	102298-3HS0-2020	385,219
COVID-19 Education Stabilization Fund - Elementary & Secondary School Emergency Relief (ESSER I & II) Fund	84.425D	102298-3HS0-2021	387,162
Total Education Stabilization Fund - Elementary & Secondary School Emergency Relief (ESSER I & II) Fund			772,381
Total U.S. Department of Education			2,072,884
Total Expenditures of Federal Awards			\$ 3,066,604

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, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Howland Local School District (the District's) under programs of the federal government for the year ended June 30, 2021. 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 or 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(s) 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 2021 to 2022 programs:

Grant Name	CFDA	Amount Obligated at 6/30 Expenditures Plus Encumbrances	Total Budget	Amount Transferred
Title I	84.010	\$ 523,997.47	\$ 568,906.35	\$ 44,908.88
IDEA	84.027	\$ 653,129.78	\$ 653,129.78	\$ -
Title IIA	84.367	\$ 99,427.73	\$ 166,193.93	\$ 66,766.20
EOEC	84.010A	\$ 7,737.23	\$ 9,737.73	\$ 2,000.50



**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 and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Howland Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2022, in which we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 5, 2022

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

We have audited Howland Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Howland Local School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Howland Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2021-001. Our opinion on the major federal program is not modified with respect to these matters.

The District's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2021-001.

The District's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Keith Faber
Auditor of State
Columbus, Ohio

April 5, 2022

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**HOWLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA# 84.425D Covid-19 Education Stabilization Fund
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

Federal Prevailing Wages

Finding Number:	2021-001
Assistance Listing Number and Title:	84.425D Covid-19 Education Stabilization Fund
Federal Award Identification Number / Year:	2021
Federal Agency:	U.S. Department of Education
Compliance Requirement:	2 CFR Part 200 Appendix II
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

2 CFR part 200 Appendix II requires all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (DOL) (40 USC 3141–3144, 3146, and 3147.

Nonfederal entities shall include in their construction contracts subject to the Wage Rate Requirements (which still may be referenced as the Davis-Bacon Act) a provision that the contractor or subcontractor comply with those requirements and the DOL regulations (29 CFR Part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6; the A-102 Common Rule (section 36(i)(5)); OMB Circular A-110 (2 CFR Part 215, Appendix A, Contract Provisions); 2 CFR Part 176, Subpart C; and 2 CFR section 200.326).

This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1235-0008). The DOL, Employment Standards Administration, maintains a Davis-Bacon and Related Acts web page (<https://www.dol.gov/agencies/whd/government-contracts/construction>).

The District did not obtain the required certified payroll reports for a construction contract in excess of \$2,000. The related labor costs were \$36,360.

The District should include prevailing wage provisions in all construction contracts or agreements involving federal funds exceeding \$2,000. The District should obtain weekly certified payroll reports from the contractor.

Official's Response: See the Corrective Action Plan



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

www.howlandschools.com

Howland High School
Howland Middle School
Howland Intermediate School

H.C. Mines Elementary
Howland Glen Primary
Howland Springs Primary

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	Negative fund balances	Partially Corrected	See Management Letter

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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

JUNE 30, 2021

Finding Number:

2021-001

Planned Corrective Action:

The district has made a checklist of items needed for construction projects with special consideration to the items needed for federal procurement. The district has also made contact with vendors of current projects to ensure federal guidelines are being followed and to request the documentation needed.

Anticipated Completion Date:

04/07/2022

Responsible Contact Person:

Samantha Pochedly, 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 5/10/2022

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